ACICO INDUSTRIES CO.

Annual Report 2011

بسم الله الرحمن الرحيم

ACICO

BUILDING ON SOLID FOUNDATIONS

ACICO INDUSTRIAL ACICO CONSTRUCTION ACICO CEMENT ACICO REAL ESTATE ACICO REAL ESTATE HOTELS

His Highness
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
The Amir of the State of Kuwait

His Excellency
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait

Radisson Royal Hotel - **Dubai**
Indothai Asian Restaurant

Contents


Radisson Royal Hotel - **Dubai**
Business Centre

Board of Directors

Abdulaziz Ahmad Al-Ayoub
Chairman

Ghassan Ahmad Saud Al-Khaled
Vice Chairman & Managing Director

Walid Ahmad Saud Al-Khaled
Board Member

Faisal Yousef Al-Majed
Board Member

Ahmad Faisal Sayid Abdul Wahab Al-Refaie
Board Member

Faten Farouq Al-Naqeeb
Board Member

Ahmad Ghassan Ahmad Saud Al-Khaled
Board Member

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 well established plan and without affecting 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.

Values

- **Corporate Culture:** diversity and continued development, transparency, teamwork and integrity.
- **Performance:** our ethics navigate our day to day lives to deliver expected qualities of products and services.
- **Spirit and future Ambitions:** Achieve long term growth and raise the return on shareholder's equity.

Gulf Road View - **Kuwait**

Chairman's Message

During this year, we focused on enhancing our business different division including manufacturing, contracting and real estate throughout the region. ACICO strengthened its position as a regional company operating in GCC States

It is my pleasure to meet you once again in this annual meeting to present to you the financial report for the year ended on 31st December 2011 of ACICO Industries Company, hoping that results would meet your satisfaction.

By Allah's grace, we were able to maintain our position despite of volatile economic and political conditions that are still overwhelming the world in general and our region in particular. The executive management played an important role through taking critical measures and making decisions that had a great impact on maintaining ACICO's interests and shareholders' equity. ACICO's executive management adopts a strategy of broad horizons and clear-cut objectives through which it strives to realize progressive development and keep up with variables of the current stage and its practical requirements. In this strategic direction, the executive management proceeded to adopt practical plans and programs to attain balance in all fields.

During this year, we focused on enhancing our business different division including manufacturing, contracting and real estate throughout the region. ACICO strengthened its position as a regional company operating in GCC States and the results were satisfactory. The model we adopted and implemented provided us with operating capacities and potentials to increase the company's efficiency in dealing with market developments and requirements, and facing its fluctuations and risks. Through this matrix, ACICO became closer to its clients and more capable of understanding their needs and meeting their requirements.

In quick review of the financial statements, ACICO has realized an annual revenue of K.D. 39.024 million with a profit margin of K.D. 15.645 million in 2011. Compared with K.D. 42.215 million with a profit margin of K.D. 12.299 million in 2010, realizing a net profit of K.D. 1.909 million and earnings per share of Fils 8.09. ACICO's assets value has risen from K.D. 240.997 million in 2010, to K.D. 241.567 million in 2011.

This year's results are attributed to honest efforts exerted by ACICO staff members including senior management, executive management and the employees in general, irrespective of their place or position during a critical and difficult period. Their performance showed equanimity, high professionalism and dedication. I am pleased to announce that currently we have begun to harvest due outcomes of these efforts and still exerting more efforts to harvest the results in coming years where the yield will be better and more abundant by Allah's will.

Business progress goes ahead towards more achievements by using our best efforts to improve our operations and develop our products and services pursuing the better always. We will continue developing our projects for the benefit of our clients, shareholders and staff members in the GCC region from which we will proceed towards global reach.

Abdul Aziz Ahmed Al-Ayoub
Chairman

ACICO Industries Profile

ACICO is a Kuwaiti fast growing industrial company whose products meet essential necessities and requirements of modern life including building materials.

The strong elaborate inception of ACICO Industries ensured fertile soil for success as the company passed through significant phases since its incorporation by establishing an aerated concrete plant in parallel with executing a large number of residential, governmental and commercial projects using aerated concrete products as core building materials, not only in Kuwait but also at the GCC and Arab levels, based on which the company's future investment strategies were determined.

The company is currently operating through its plants located in State of Kuwait, United Arab Emirates, Kingdom of Saudi Arabia and the State of Qatar to manufacture building units of reinforced and non-reinforced aerated concrete with special specifications including but not limited to light weight, thermal insulation, high fireproofing and environmental safety. The company's aspirations is not restricted to presence in these countries only; rather its expansion plans extend to being present in the Middle East and North Africa countries (MENA) according to an accurately assessed expansion strategy to maximize its future returns and profits.

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

ACICO Industries Company was able to confidently enter the construction industry through its grade "1" company, ACICO Construction, as rated by Central Tenders Committee in State of Kuwait. ACICO Construction has managed to go beyond traditional methods in the construction industry. This is evident through its own construction system branded as ACICO Building System.

Furthermore, ACICO Industries Company enhanced its business in housing development sector through collaboration with Al-Masaken International for Real Estate Development Company, which is the residential real estate development arm operating 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 ACICO Industries Company strongly enter the real estate market through the following real estate and hotel projects: Nassima Tower in the emirate of Dubai, ACICO Business Park in the emirate of Dubai; 5-star Radisson Royal Hotel in the Emirate of Dubai and Radisson Blu Resort Fujairah in the emirate of Fujairah.

With its huge market value, growing investments in the industrial and real estate markets, projects across the region and the increase in size and type of projects offered in the real estate field, represents the vision of a group of the founders with an extensive experience in their own careers who came together in their thought to unify their vision in "ACICO" creating a leading company in advanced building materials industry, construction and real estate development.

ACICO Twin Towers - **Kuwait**

Team Spirit and Year's Achievements

ACICO executive management, supported by its staff efforts, focused on the company's current business divisions and activities to ensure maximization of its revenues and profits. ACICO also focused on its newly completed projects and enhanced their business processes to ensure that these projects are operated using high-end and latest techniques to realize the highest returns from the same.

ACICO attained success through set plans and objectives that proved the executive management's ability to anticipate the future and showed exceptional leadership skills in dealing with market changes and fluctuations during the past period. Implementation of such plans also demonstrated the staff ability to assume responsibility and their high professionalism where they have been good a example of team spirit to achieve such objectives and plans.

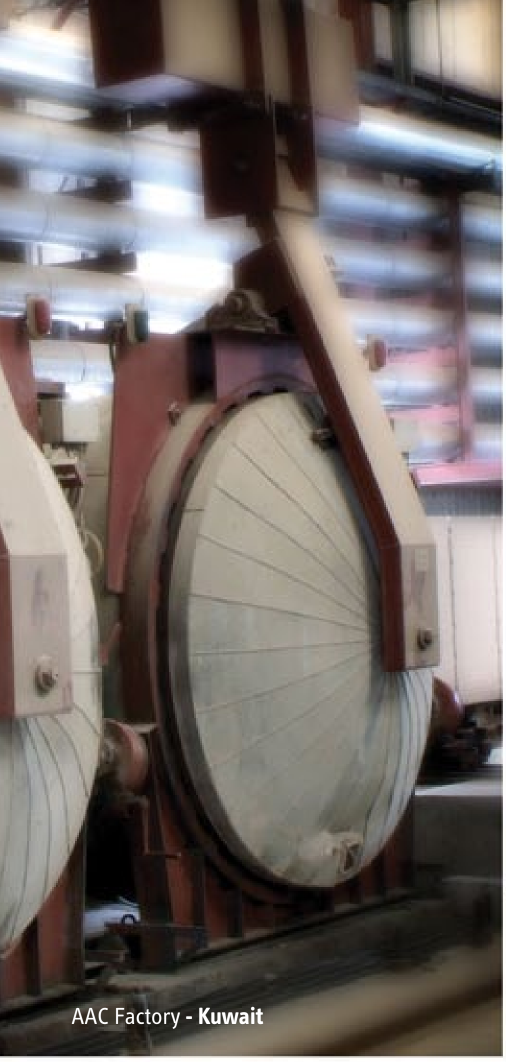
Important Achievements – Construction Sector

In the construction sector, ACICO completed many construction projects and entered into new contracts with annual amounts and size exceeding the last three years. These include for example the completion of Phase II of a residential project in Al-Zoor Port where 50 residential villas were built according to the highest international standards including complete infrastructure works. The second phase was executed within 18 months. There is also Dasman School Project, which represents an exemplary model where more than 2,500 square meters were built; distributed over two floors and 26 classrooms with all facilities and finishing works in a record period not exceeding three months.

Important Achievements – Real Estate Sector

For the real estate sector, ACICO has maintained the utilization of full lease capacity for ACICO Business Park in Dubai. More than 70% of commercial space areas were leased in Nasima Tower comprising of ground floor, mezzanine and 24 floors. Further, the strategic location of Nasima Tower in Sheikh Zayed Road, Emirate of Dubai, was utilized where the residential part thereof comprising 21 floors was converted into serviced residential apartments to increase projected revenues and profits.


Under Construction Project



AAC Factory - **Kuwait**

Important Achievements – Aerated Concrete Industries Sector

According to annual business plans and through directions and following up by the executive management, our team in Kuwait managed to realize growth in sales turnover and market share. Moreover, necessary measures have been taken and special business plans were developed to increase aerated concrete sales in UAE and Qatar markets to maximize returns and profits, which will positively reflect on shareholders.

Ready-mix Transit Mixers

Important Achievements – Cement Industries Sector

The team managed to increase turnover of cement and ready-mix concrete sales during 2011. In addition to the dry ready-mix concrete production line, a wet ready-mix concrete production line was added in July 2011. This capacity expansion was implemented to supply the growing market demand on quality concrete produced with the latest technology.

Radisson Blu Resort - **Fujairah**

Important Achievements – Hotels Sector

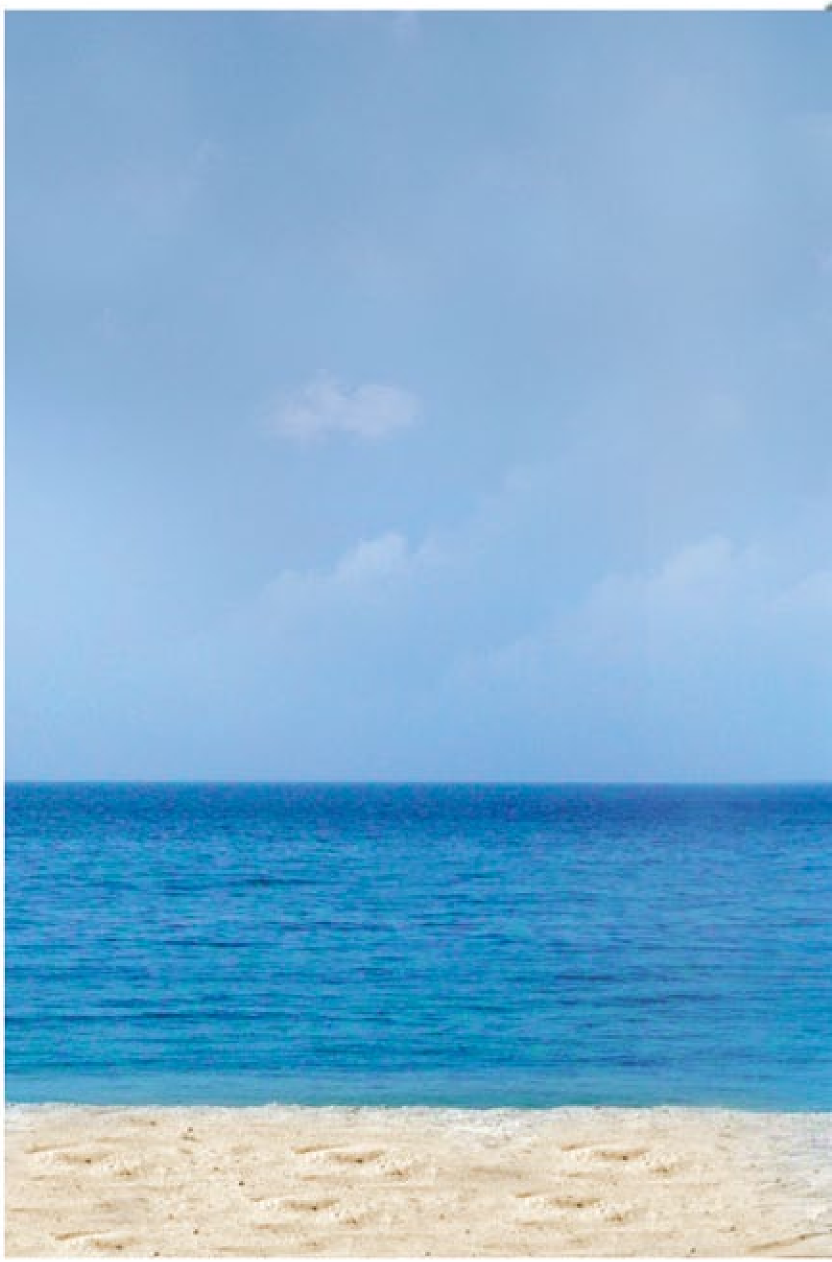
In the hotels sector, under its plan intended to reach highest levels of quality, ACICO entered into an agreement with the highly reputable hotels brand “Radisson” to manage its two hotels located in Dubai’s extremely vibrant Sheikh Zayed Road, comprising of 471 five-star rooms and suites, and Al-Fujirah hotel, which extends over a half kilometer of private beach and comprises of 257 five-star rooms and suites. It is expected that this will have positive results on the Group’s revenues and profits in 2012 by Allah’s will.

Radisson Royal Hotel **- Dubai**

Planning & Future Outlook

Planning is a top priority for the executive management in ACICO Industries Company where it developed strategies, plans and objectives derived from the company's divisions, expansion initiatives and the situations of the markets where ACICO operates. The executive management continuously follows up the implementation and execution of set plans, developing and modifying dynamically in line with an ongoing improvement culture, which turned to be an integral part of the business environment in ACICO.

The executive management is in the process of considering the introduction of new construction materials to its products either through manufacturing or trading. Decisions were made on certain products and work is in progress to implement the manufacturing plans. With respect to real estate and construction sectors, there are several real estate projects in the study phase to target the feasible opportunities, which represent at the same time future projects with lucrative returns for the construction sector.



Radisson Blu Resort - **Fujairah**


4713
2000
22
4048
500
250
100
196
1501
816

Signs for Overcoming Global Financial Crisis

- Completion of projects on timely basis as per established plans;
- Corporate finance restructuring;
- The company had no need to exit from any of its assets;
- The company did not seek capital increase;
- The company did not seek reduction in number of employees and workers; rather, we maintained our personnel and attracted more efficient staff members.

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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, 2011 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ACICO for Industries Co. - K.S.C. (Closed) as of December 31, 2011, 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, 2011 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
RSM Al-Bazie & Co.

State of Kuwait
March 29, 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2011

	Note	2011 KD	2010 KD
Cash and cash equivalents	3	2,337,111	2,437,639
Accounts receivable and other debit balances	4	9,462,124	8,591,743
Gross amount due from customers for contract work	5	55,127	33,978
Due from related parties	6	4,978,406	4,564,661
Inventories	7	4,611,238	5,993,340
Investments available for sale	8	2,007,996	2,551,862
Investment in associates	9	12,172,768	13,039,429
Investment properties	10	172,523,309	169,914,248
Right of utilization of leasehold	11	531,363	588,819
Fixed assets	12	31,887,875	31,781,630
Goodwill	13	1,000,000	1,500,000
Total assets		241,567,317	240,997,349
LIABILITIES AND EQUITY			
Due to banks	14	7,494,726	7,803,624
Accounts payable and other credit balances	15	13,483,521	11,720,482
Gross amount due to customers for contract work	5	709,652	1,625,447
Due to related parties	6	3,161,166	5,822,112
Loans	16	128,522,930	127,186,886
Murabaha payable	17	3,073,508	2,313,675
Dividend payable to shareholders		2,088,128	1,338,860
Provision for end of service indemnity	18	1,097,331	990,276
Total liabilities		159,630,962	158,801,362
Equity:			
Share capital	19	23,694,122	22,565,831
Share premium	20	24,426,446	24,426,446
Statutory reserve	21	8,666,415	8,468,516
Treasury shares	22	(432,774)	(432,774)
Treasury shares reserve		2,589,875	2,589,875
Cumulative changes in fair value		-	(71,143)
Effect of change of other comprehensive income of associates		(286,932)	(289,530)
Foreign currency translation adjustments		(628,678)	(504,215)
Retained earnings		19,603,236	21,267,405
Equity attributable to equity holders of the parent company		77,631,710	78,020,411
Non-controlling interests		4,304,645	4,175,576
Total equity		81,936,355	82,195,987
Total liabilities and equity		241,567,317	240,997,349

The accompanying notes (1) to (36) form an integral part of the consolidated financial statements.

Ghassan Ahmed Saoud Al - Khaled
Vice Chairman

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 2011

	Note	2011 KD	2010 KD
Operating income	23	34,415,990	38,817,924
Operating cost	23	(23,379,734)	(29,915,296)
Real estates income	24	4,608,279	3,396,620
Gross profit from operations		15,644,535	12,299,248
General and administrative expenses	25	(3,358,346)	(4,376,983)
Selling expenses		(623,410)	(1,050,752)
Depreciation and amortization	23	(549,384)	(643,965)
Income from operations		11,113,395	6,227,548
Group's share of results from associates	9	(850,893)	(395,998)
Impairment of goodwill	13	(500,000)	(500,000)
Net investments income (loss)	26	98,578	(754)
Other income	27	354,337	783,281
Finance charges	23	(7,891,581)	(2,083,661)
Provision no longer required		1,147	150,000
Provision for doubtful debts	4	(121,190)	(55,000)
Provision for slow moving inventory	7	(32,000)	-
Foreign exchange gain (loss)		395,126	(121,342)
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		2,566,919	4,004,074
Contribution to Kuwait Foundation for the Advancement of Sciences	28	-	(13,950)
National Labor Support Tax	29	(55,181)	(95,303)
Contribution to Zakat	30	-	(15,771)
Board of Directors' remuneration	31	(15,000)	(15,000)
Net profit for the year		2,496,738	3,864,050
Attributable to:			
Equity holders of the parent company		1,908,812	3,784,148
Non-controlling interests		587,926	79,902
Net profit for the year		2,496,738	3,864,050
		Fils	Fils
Earnings per share	32	8.09	16.03

The accompanying notes (1) to (36) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2011

	Note	2011 KD	2010 KD
Net profit for the year		2,496,738	3,864,050
Other comprehensive loss:			
Foreign currency translation adjustments		(164,280)	(583,549)
Reversal due to impairment loss of investments availale for sale		71,143	-
Share of other comprehensive income from associates	9	2,598	109,267
Other comprehensive loss for the year		(90,539)	(474,282)
Total comprehensive income for the year		2,406,199	3,389,768
Attributable to:			
Equity holders of the parent company		1,858,090	3,494,551
Non-controlling interests		548,109	(104,783)
Total comprehensive income for the year		2,406,199	3,389,768

The accompanying notes (1) to (36) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2011

	Equity 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 of other comprehensive income of associates	Foreign currency translation adjustments	Retained earnings	Total equity attributable to parent company's shareholders	Non-controlling interests	Total Equity
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
Total comprehensive income (loss) for the year	-	-	-	-	-	-	109,267	(398,864)	3,784,148	3,494,551	(104,783)	3,389,768
Bonus shares – 5% (Note 33)	1,074,563	-	-	-	-	-	-	-	(1,074,563)	-	-	-
Cash dividends – 10% (Note 33)	-	-	-	-	-	-	-	-	(2,139,800)	(2,139,800)	-	(2,139,800)
Transfer to statutory reserve	-	-	392,417	-	-	-	-	-	(392,417)	-	-	-
Balance as of December 31, 2010	22,565,831	24,426,446	8,468,516	(432,774)	2,589,875	(71,143)	(289,530)	(504,215)	21,267,405	78,020,411	4,175,576	82,195,987
Total comprehensive income (loss) for the year	-	-	-	-	-	71,143	2,598	(124,463)	1,908,812	1,858,090	548,109	2,406,199
Bonus shares – 5% (Note 33)	1,128,291	-	-	-	-	-	-	-	(1,128,291)	-	-	-
Cash dividends – 10% (Note 33)	-	-	-	-	-	-	-	-	(2,246,791)	(2,246,791)	-	(2,246,791)
Dividend to non – controlling interest	-	-	-	-	-	-	-	-	-	-	(419,040)	(419,040)
Transfer to statutory reserve	-	-	197,899	-	-	-	-	-	(197,899)	-	-	-
Balance as of December 31, 2011	23,694,122	24,426,446	8,666,415	(432,774)	2,589,875	-	(286,932)	(628,678)	19,603,236	77,631,710	4,304,645	81,936,355

The accompanying notes (1) to (36) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2011

	2011 KD	2010 KD
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	2,566,919	4,004,074
Adjustments:		
Depreciation	1,802,703	2,164,292
Amortization	57,456	134,246
Group's share of results from associates	850,893	395,998
Finance charges	7,891,581	2,083,661
Rental income	(3,272,662)	(3,571,767)
Interest income	(672)	(25,231)
Provision for end of services indemnity	235,585	221,988
Gain from sale of land under development	-	(51,580)
Gain on sale of fixed assets	(93,023)	(11,899)
Income from tawaroq	(324,774)	(290,058)
Change in fair value of investment properties	(1,335,617)	226,727
Foreign currency translation adjustments	(61,578)	(316,369)
Provision for doubtful debts	121,190	55,000
Provision for slow moving inventory	32,000	-
Provision no longer required	(1,147)	(150,000)
Impairment loss of investments available for sale	226,196	290,812
Impairment of goodwill	500,000	500,000
	9,195,050	5,659,894
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	370,260	(1,844,221)
Due from customers for contract work	(21,149)	123,523
Due from related parties	(413,745)	1,618,482
Inventories	1,350,100	(536,796)
Accounts payable and other credit balances	2,147,099	210,338
Due to customers for contract work	(915,795)	1,299,239
Due to related parties	(3,079,986)	1,794,083
Payment for end of service indemnity	(128,489)	(237,279)
Payment for National Labor Support Tax	(454,239)	(149,867)
Payment for Zakat	-	(134,379)
Net cash generated from operating activities	8,049,106	7,803,017

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD.)
For the year ended December 31, 2011

	2011 KD	2010 KD
Cash flows from investing activities:		
Proceeds from sale of land under development	-	216,000
Paid for investment properties	(1,273,444)	(27,601,180)
Paid for investment in associate	(5,581)	(12,683)
Paid for purchase of fixed assets	(2,057,196)	(2,394,774)
Proceeds from sale of fixed assets	162,475	274,422
Rental income received	1,911,978	3,571,767
Tawaroq income received	324,774	290,058
Redemption from investment available for sale	388,813	-
Interest income received	672	25,231
Net cash used in investing activities	(547,509)	(25,631,159)
Cash flows from financing activities:		
Net proceeds from due to banks	308,908	2,451,132
Net proceeds from term loans	718,238	15,423,380
Net proceeds from Murabaha payable	759,833	2,313,675
Finance charges paid	(7,891,581)	(2,083,661)
Payment of cash dividends to shareholders	(1,497,523)	(1,608,296)
Net cash (used in) generated from financing activities	(7,602,125)	16,496,230
Net decrease in cash and cash equivalents	(100,528)	(1,331,912)
Cash and cash equivalents at the beginning of the year	2,437,639	3,769,551
Cash and cash equivalents at the end of the year (Note 3)	2,337,111	2,437,639

The accompanying notes (1) to (36) form an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011

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, 2011 (2010 - 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 29, 2012. The Shareholders' General Assembly has the power to amend these financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No. 18 of 1990. 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, 2011:

Revised IAS 24 Related Party Disclosures (issued in November 2009)
The revised standard supersedes IAS 24 issued in 2003 and is mandatory for annual periods beginning on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The disclosure exemptions do not affect the Group because the Group is not a government-related entity. Also, disclosures regarding related party transactions and balances in these consolidated financial statements are not significantly affected because all counterparties within the scope of the revised Standard previously met the definition of a related party.

IFRS 3 Business Combinations (Improvements to IFRSs 2010)
Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS: clarification that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). Applicable, retrospectively, to annual periods beginning on or after 1 July 2010.

Measurement of non-controlling interests: the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by another IFRS. Applicable, prospectively from the date the entity applies IFRS 3 revised, to annual periods beginning on or after 1 July 2010.

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(w).

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:

IFRS 9 Financial Instruments:
The standard, which will be effective for annual periods beginning on or after January 1, 2015, 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

IFRS 10 Consolidated Financial Statements (issued in May 2011)
The new Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. It introduces a single consolidation model that identifies control as the basis for consolidation for all types of entities, where control is based on whether an investor has power over the investee, exposure/rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. This standard is effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities (issued in May 2011)
The new Standard combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. IFRS 12 is effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement (issued in May 2011)
The new Standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value. The new requirements are effective for annual periods beginning on or after 1 January 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011

b) Principles of consolidation

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

Name of Subsidiaries	Country of incorporation	Percentage of holding 2011	Percentage of holding 2010
Ghassan Ahmed Sauod Al-Khaled & Co. – W.L.L. and its subsidiary	Kuwait	75%	75%
ACICO Arabia for General Trading & Contracting – W.L.L.	Kuwait	60%	60%
ACICO for Construction K.S.C. (Closed)	Kuwait	75%	75%
ACICO Kuwait Company W.L.L.	Kuwait	99%	99%

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 share of changes in equity since the date of the combination.
Non-controlling interests are 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.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate.

c) Financial instruments

Financial assets and financial liabilities carried on the Statement of Financial Position include cash and cash equivalents, receivables, due from / to related, parties investments, bank borrowings and payables. 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.

1) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments 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.

2) Accounts receivable

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 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. 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.

3) Investments

The Group classifies its investments 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.

Investments available for sale

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 trade-date – the date on which the Group commits to purchase or sell the asset. 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. Loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. 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 derecognised 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.

4) Accounts payable

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

5) 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.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

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

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. Cost 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.

e) 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.

f) 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.

The Group recognizes in its other comprehensive income for its share of changes in other comprehensive income of associate.

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 except to the extent that the Group has an obligation or has made payments on behalf of the associate.

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. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

After the application of the equity method, the Group determines whether it is necessary to recognize impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate id impaired. If this is the case, The Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of income.

g) Investment properties

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transaction costs. Subsequent to initial recognition, investment properties are stated at their fair value at the end of 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.

Property interest that is held under an operating lease is classified and accounted for as investment property when the property would otherwise meet the definition of an investment property and the lessee uses the fair value model.

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 or 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.

h) Properties under development

Properties acquired, constructed or in the course of construction for sale are classified as properties under development. Unsold properties are stated at cost. Sold properties in the course of development are stated at cost plus attributable profit/loss less progress billings. The cost of properties under development includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed. At that stage, the total asset value is eliminated from properties under development.

i) Rights of utilization

Leasehold right represents a long term lease agreement. The Group amortizes the lease value over the lease period.

j) 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 and equipment	3 – 20
Motor vehicles	3
Tools	3
Furniture and fixtures	3 – 5
Software	5

Except for tools and equipment related to factories depreciation by number of units.

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.

k) Goodwill

Goodwill arising on an acquisition of a subsidiary 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, 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.

l) Impairment of tangible and intangible assets

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.

m) Provision for 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.

n) Share capital

Ordinary shares are classified as equity.

o) 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.

Where any Group's purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Parent Company's equity holders.

p) 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. . The group does not operate any loyalty programs.

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.

Interest income
Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized either as cash is collected or on a cost–recovery basis as conditions warrant.

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.

Sale of properties under development:
- When the agreement is within the scope of IAS 11 – construction contracts and its outcome can be estimated reliably, the Group recognizes the revenue by reference to the stage of completion of the contract activity in accordance with IAS 11 – construction contracts.
- When the agreement is within the scope of IAS 18 – Revenue, Group recognizes revenue at time of completion. When the significant risks and rewards of ownership of real estate are being transferred from Group at a single time.
- If the significant risks and rewards of ownership are transferred as when construction progresses, the Group recognize revenue by reference to the percentage of completion method.

If there is a doubt about the future economic benefits flowing to the Group, the Group recognizes revenue based on the installment percentage.

q) 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. Provisions are not recognized for future operating losses.

r) 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 profit or loss in the period in which they are incurred.

s) 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 determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Finance Lease

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated statement of income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

t) 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.

u) 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.

v) Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. 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.

w) 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.

(vi) Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "available for sale". The Group follows the guidance of IAS 39 on classifying its investments.

(vii) 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.

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 an 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.

(v) Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statment of income. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in the consolidated statement of comprehensive income. For the investment properties the valuer used a valuation technique based on a discounted cash flow model as there is a lack of comparable market data because of the nature of the properties. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long term vacancy rate.

3. Cash and cash equivalents

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No. 18 of 1990. Significant accounting policies are summarized as follows:

	2011 KD	2010 KD
Cash on hand and at banks	1,563,804	1,673,753
Fixed deposits	773,307	763,886
	2,337,111	2,437,639

The effective interest rate on the fixed deposit ranged from 0.25% to 0.5% per annum (2010 – 2% to 3%), these deposits have an average maturity of 90 days.

There is no material difference between the fair value and the carrying value of cash and cash equivalents.

4. Accounts receivable and other debit balances

	2011 KD	2010 KD
Trade receivables (a)	6,739,198	4,415,206
Provision for doubtful debts (b)	(860,482)	(740,439)
	5,878,716	3,674,767
Cheques under collection	797,174	1,072,075
Letters of credit	441,142	622,011
Prepaid expenses	598,869	1,738,957
Accrued income	-	91,349
Retention receivable	1,044,753	877,711
Refundable deposits	361,086	378,814
Other debit balances	340,384	136,059
	9,462,124	8,591,743

The fair values of accounts receivable and other debit balances approximated their carrying values as at December 31, 2011.

a) Trade receivables

Trade receivables that are less than 6 months past due are not considered impaired. As of December 31, 2011, trade receivables amounting to KD 954,488 (2010: KD 575,201) 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:

	2011 KD	2010 KD
From 1 to 6 Months	4,924,228	3,099,566
From 6 to 12 Months	954,488	575,201
Over 1 year	860,482	740,439
	6,739,198	4,415,206

b) Provision for doubtful debts

The movement during the year was as follows:

	2011 KD	2010 KD
Balance at the beginning of the year	740,439	788,309
Provision for the year	121,190	55,000
Provision no longer required	(1,147)	(50,000)
Utilized during the year	-	(52,870)
Balance at the end of the year	860,482	740,439

Provisions, written off as uncollectible receivables and utilization of the provision for doubtful debts are included in the consolidated statement of income.

c) The other classes within accounts receivable and other debit balances do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. Further, the Group does not hold any collateral as security, for accounts receivable and other debit balances.

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5. Gross amount due from / to customers for contract work

	2011 KD	2010 KD
Contract cost incurred to date plus recognized profits less recognized losses	2,574,964	5,581,915
Less: Progress billings	(3,229,489)	(7,173,384)
	(654,525)	(1,591,469)

Represented by:	2011 KD	2010 KD
Gross amount due from customers for contract work	55,127	33,978
Gross amount due to customers for contract work	(709,652)	(1,625,447)
	(654,525)	(1,591,469)

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:

	Major shareholders	Associates	Other related parties	2011 KD	2010 KD
Consolidated statement of financial position:					
Due from related parties	607,274	3,652,075	719,057	4,978,406	4,564,661
Due to related parties	1,425,255	937,670	798,241	3,161,166	5,822,112
Accounts payable and other credit balances	-	2,937,401	-	2,937,401	1,544,113
Consolidated statement of income:					
Operating income	-	56,365	-	56,365	10,925
Operating cost	-	47,910	-	47,910	73,301
Other income	-	-	-	-	95,000

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

	2011 KD	2010 KD
Compensation to key management personnel:		
Short term benefits	228,100	228,100
Termination benefits	4,500	4,000
	232,600	232,100

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7. Inventories

	2011 KD	2010 KD
Raw materials	3,079,825	3,224,945
Finished goods	910,279	1,434,335
Spare parts	823,134	1,504,060
	4,813,238	6,163,340
Provision for slow-moving inventory (a)	(202,000)	(170,000)
	4,611,238	5,993,340

a) Provision for slow-moving inventory

The movement during the year is as follows:

	2011 KD	2010 KD
Balance at the beginning of the year	170,000	270,000
Provision for the year	32,000	-
Provision no longer required	-	(100,000)
Balance at the end of the year	202,000	170,000

8. Investments available for sale

	2011 KD	2010 KD
Investment in real estate fund	82,596	45,955
Investment in unquoted shares	1,925,400	2,505,907
	2,007,996	2,551,862

The movement during the year was as follows:

	2011 KD	2010 KD
Balance at the beginning of the year	2,551,862	2,842,674
Redemption	(388,813)	-
Impairment losses	(155,053)	(290,812)
	2,007,996	2,551,862

Investments available for sale are denominated in the following currencies

	2011 KD	2010 KD
Kuwaiti Dinar	1,887,301	2,042,355
Bahraini Dinar	120,695	509,507
	2,007,996	2,551,862

It was not possible to reliably measure the fair value of unquoted equity securities amounting to KD 1,925,400 (2010: KD 2,505,907) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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9. Investment in associates

	Country of Incorporation	Percentage of ownership % 2011	Percentage of ownership % 2010	2011 KD	2010 KD
Aerated Concrete Industries Company - Saudi Arabia W.L.L.	Saudi Arabia	45	45	32,889	84,934
Aerated Concrete Industries Company - Qatar W.L.L.	Qatar	49	49	2,058,134	2,231,767
Al-Masaken International for Real Estate Development -K.S.C(Closed)	Kuwait	35	35	7,888,225	8,346,039
Al-Masaken Arabian Holding K.S.C. (Closed)	Kuwait	11.81	11.81	2,175,257	2,364,005
ACICO International for Contracting L.LC.	UAE	45	45	1	1
ACICO Kuwaiti Syria Company W.L.L.	Syria	50	50	18,262	12,683
				12,172,768	13,039,429

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

	2011 KD	2010 KD
Balance at the beginning of the year	13,039,429	13,366,597
Additions	5,581	12,683
Group's share of results from associates	(850,893)	(395,998)
Share of other comprehensive income from associates	2,598	109,267
Foreign currency translation adjustment	(23,947)	(53,120)
Balance at the end of the year	12,172,768	13,039,429

As of December 31, 2011 the fair value of the Group's investment in Al Masaken International For Real Estate Development K.S.C. (Closed) amounted to KD 3,255,000.

The investment in Al-Masaken Arabian Holding K.S.C. (Closed) 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 has not accounted for its share of results in Acico Kuwaiti Syria Company W.L.L. since the associate has not yet commenced operation till date.

9. Investment in associates (continue)

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

	Assets		Liabilities		Net Assets	
Name of associate	2011	2010	2011	2010	2011	2010
Aerated Concrete Industries Company - Saudi Arabia W.L.L.	2,979,781	3,096,025	2,946,892	3,011,091	32,889	84,934
Aerated Concrete Industries Company - Qatar W.L.L.	5,172,173	5,471,360	3,114,039	3,239,593	2,058,134	2,231,767
Al-Masaken International for Real estate Development K.S.C (Closed).	8,827,487	9,333,579	840,983	889,019	7,986,504	8,444,560
Al-Masaken Arabian Holding K.S.C. (Closed)	2,581,178	3,000,079	99,108	285,756	2,482,070	2,714,323
	19,560,619	20,901,043	7,001,022	7,425,459	12,559,597	13,475,584

	Revenues		Results	
	2011	2010	2011	2010
Aerated Concrete Industries Company - Saudi Arabia W.L.L.	801,190	966,632	(32,907)	10,365
Aerated Concrete Industries Company - Qatar W.L.L.	117,499	319,920	(168,825)	(110,885)
Al-Masaken International for Real Rstate Development K.S.C (Closed).	1,993,570	709,570	(509,514)	(218,846)
Al-Masaken Arabian Holding K.S.C. (Closed)	86,877	19,594	(139,647)	(76,632)
	2,999,136	2,015,716	(850,893)	(395,998)

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 16).

The group's share in the contingent liabilities of the associates amounted to KD 144,508 as of December 31, 2011.

10. Investment properties

	Investment properties	Investment properties under progress	2011	2010
Balance at the beginning of the year	169,914,248	-	169,914,248	142,539,795
Additions	-	1,273,444	1,273,444	21,047,949
Finance charges capitalized	-	-	-	6,553,231
Changes in fair value of investment properties	1,335,617	-	1,335,617	(226,727)
Balance at the end of the year	171,249,865	1,273,444	172,523,309	169,914,248

Investment properties amounting to KD 158,338,620 (2010: KD 155,760,934) are pledged against term loan (Note 16). Investment properties amounting to KD 14,812,200 (2010: KD 14,153,314) are under promise to complete a first degree pledge against term loan (Note 16).

The management of the parent Company have complied with Kuwait Stock Exchange Committee decision dated December 23, 2010 with respect to guidelines for fair value of investment properties.

11. Right of utilization of leasehold

	Right of utilization of leasehold
Cost as of December 31, 2010	1,149,225
Cost as of December 31, 2011	1,149,225
Accumulated amortization as of December 31, 2010	560,406
Charge for the year	57,456
Accumulated amortization as of December 31, 2011	617,862
Balance as of December 31, 2011	531,363
Balance as of December 31, 2010	588,819

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

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12. Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Tools	Furniture and fixtures	Software	Capital work in progress	Total
Cost:								
As of December 31, 2010	13,003,981	27,936,358	3,314,805	913,085	1,077,862	-	466,233	46,712,324
Additions	-	622,356	412,127	2,623	28,246	7,450	984,394	2,057,196
Transferred from capital work in progress	-	-	-	-	-	418,977	(418,977)	-
Disposals	-	(42,454)	(333,247)	(820)	-	-	-	(376,521)
Foreign currency translation adjustments	(18,669)	(70,544)	(9,166)	2,349	2,871	-	-	(93,159)
As of December 31, 2011	**12,985,312**	**28,445,716**	**3,384,519**	**917,237**	**1,108,979**	**426,427**	**1,031,650**	**48,299,840**
Accumulated depreciation:								
As of December 31, 2010	2,674,251	8,789,261	2,380,688	345,310	741,184	-	-	14,930,694
Charge for the year	600,924	525,952	421,890	33,712	149,500	70,725	-	1,802,703
Relating to disposals	-	(40,141)	(266,108)	(820)	-	-	-	(307,069)
Foreign currency translation adjustments	(3,649)	(9,653)	(345)	(265)	(451)	-	-	(14,363)
As of December 31, 2011	**3,271,526**	**9,265,419**	**2,536,125**	**377,937**	**890,233**	**70,725**	**-**	**16,411,965**
Net book value:								
As of December 31, 2011	**9,713,786**	**19,180,297**	**848,394**	**539,300**	**218,746**	**355,702**	**1,031,650**	**31,887,875**
As of December 31, 2010	10,329,730	19,147,097	934,117	567,775	336,678	-	466,233	31,781,630

Cost of sales include depreciation charge for the year amounting to KD 1,310,775 (2010 – KD 1,654,573)

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

Fixed assets amounting to KD 10,285,575 (2010 – KD 11,562,384) are under promise to complete a first degree pledge against term loan (Note 16).

13. Goodwill

	Amount
Balance at December 31, 2009	2,000,000
Impairment of goodwill	(500,000)
Balance at December 31, 2010	1,500,000
Impairment of goodwill	(500,000)
Balance at December 31, 2011	**1,000,000**

14. Due to banks

Annual interest rate on bank overdrafts varies from 1% to 2.5% over the Central Bank of Kuwait discount rate.

15. Accounts payable and other credit balances

	2011 KD	2010 KD
Trade payable	10,844,386	7,236,677
Advances received from customers	271,931	2,272,876
Post dated cheques	152,610	115,707
Subcontractors' retention payable	343,453	265,297
Accrued staff leave	170,350	211,179
Deposits for others	266,459	165,261
Payable to Kuwait Foundation for Advancement of Sciences	342,648	360,715
National Labor Support Tax payable	448,512	846,705
Payable to Zakat	107,126	45,571
Board of Directors' remuneration payable	62,000	62,000
Accrued expenses and others	253,842	138,494
Provision for maintenance work	220,204	-
	13,483,521	11,720,482

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

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16. Loans

	2011 KD	2010 KD
Current portion	7,364,888	5,548,263
Non-current portion	121,158,042	121,638,623
	128,522,930	127,186,886

The term loans carry interest ranging from 2.5% to 3.5% per annum over The Central Bank Of Kuwait discount rate, DIBOR and EIBOR as of December 31,2011 .

The loans are guaranted as follows :	2011 KD	2010 KD
Promise to complete a first degree pledge for investments available for sale	751,945	1,273,607
Promise to complete a first degree pledge for investment in associates	10,063,482	10,710,044
Investment properties	158,338,620	155,760,934
Promise to complete a first degree pledge for investment property	14,812,200	14,153,314
Promise to complete a first degree pledge for Fixed assets	10,285,575	11,562,384
	194,251,822	193,460,283

17. Murabaha payable

	2011 KD	2010 KD
Murabaha payable	3,149,308	2,380,631
Less: Deferred finance charges	(75,800)	(66,956)
	3,073,508	2,313,675

Murabaha payable carrying average finance charges of 3.5% per annum (2010 – 3.5%)

18. Provision for end of services indemnity

	2011 KD	2010 KD
Balance at the beginning of the year	990,276	1,007,312
Charge for the year	235,585	221,988
Paid during the year	(128,489)	(237,279)
Foreign currency translation adjustments	(41)	(1,745)
Balance at the end of the year	1,097,331	990,276

19. Share capital

Authorized issued and paid up capital consist of 236,941,220 shares (2010 – 225, 658, 319 shares) of 100 fils each all shares in cash. The shareholders' General Assembly meeting held on May 12, 2011 increased the share capital from 225,658,319 shares to 236,941,220 shares with an increase of 11,282,901 shares by issuing 5% bonus shares (2010 – 5%).

	Shares	Nominal value KD
Balance at December 31, 2010	225,658,319	22,565,831
Bonus shares – 5%	11,282,901	1,128,291
Balance at December 31, 2011	236,941,220	23,694,122

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

	2011 KD	2010 KD
Number of shares	923,176	879,216
Percentage of issued shares	0.39%	0.39%
Market value (KD)	206,791	316,518
Cost (KD)	432,774	432,774

23. Segment reporting

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

December 31, 2011

	Industrial	Real estates and hotels	Contracting	Total	Non - controlling interest / entries to eliminate inter-company transactions	Total
Operating income	54,629,841	-	6,765,217	61,395,058	(26,979,068)	34,415,990
Operating cost	44,091,005	-	5,250,697	49,341,702	(25,961,968)	23,379,734
Real estates income	-	4,608,279	-	4,608,279	-	4,608,279
Net income for the year	3,905,027	(2,144,727)	736,438	2,496,738	(587,926)	1,908,812
Finance charges	1,081,636	6,753,006	56,939	7,891,581	-	7,891,581
Depreciation and amortization	448,025	48,618	52,741	549,384	-	549,384
Total assets	69,875,358	184,515,649	2,305,338	256,696,345	(15,129,028)	241,567,317
Total liabilities	21,906,111	140,401,413	5,225,840	167,533,364	(7,902,402)	159,630,962

December 31, 2010

	Industrial	Real estates and hotels	Contracting	Total	Non - controlling interest / entries to eliminate inter-company transactions	Total
Operating income	39,901,091	1,742,426	9,932,538	51,576,055	(12,758,131)	38,817,924
Operating cost	31,462,591	-	9,468,411	40,931,002	(11,015,706)	29,915,296
Real estates income	-	3,396,620	-	3,396,620	-	3,396,620
Net income for the year	2,555,594	1,688,020	(379,565)	3,864,049	(79,901)	3,784,148
Finance charges	309,677	1,710,425	63,559	2,083,661	-	2,083,661
Depreciation and amortization	117,303	313,747	212,915	643,965	-	643,965
Total assets	56,651,957	191,835,554	2,280,263	250,767,774	(9,770,425)	240,997,349
Total liabilities	7,848,587	147,936,120	5,120,064	160,904,771	(2,103,409)	158,801,362

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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24. Real estates income

	2011 KD	2010 KD
Change in fair value of investment properties (Note 10)	1,335,617	(226,727)
Gain from sale of land under development	-	51,580
Rental income	3,272,662	3,571,767
	4,608,279	3,396,620

The group had claimed loss of rent amount due to non compliance of the contract by the lessee through Dubai International Arbitration Center. The final award from Dubai International Arbitration Center had been issued in favor of the group. As a result the group recorded portion of rental income amounting to KD 1,360,684.

25. General and administrative expenses

	2011 KD	2010 KD
Staff cost	1,642,573	1,955,845
Non-operating cost	603,274	777,484
Rent expenses	191,872	264,436
Insurance	65,424	79,522
Legal and professional fees	372,814	346,335
Bank charges	139,284	152,689
Real estate maintenance	-	91,845
Others	343,105	708,827
	3,358,346	4,376,983

26. Net investments income (loss)

	2011 KD	2010 KD
Income from tawaroq	324,774	290,058
Impairment loss of investments available for sale	(226,196)	(290,812)
	98,578	(754)

27. Other income

	2011 KD	2010 KD
Gain on sale of fixed assets	93,023	11,899
Management fees	40,500	165,000
Others	220,814	606,382
	354,337	783,281

28. Contribution to Kuwait Foundation for the Advancement of Sciences

Contribution to Kuwait Foundation for the 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:

	2011 KD	2010 KD
Profit for the year before contribution to KFAS, National Labor Support Tax and contribution to Zakat attributable to shareholders of the Parent Company	1,978,993	3,924,172
Income from subsidiary subject to contribution to Kuwait Foundation for the Advancement of Sciences	(2,585,873)	(2,136,737)
Deduct : the transfer to statutory reserve	(197,899)	(392,417)
	(804,779)	1,395,018
Kuwait Foundation for the Advancement of Sciences percentage	1%	1%
	-	13,950

29. National Labor Support Tax

National Labor Support Tax is calculated at 2.5% on the consolidated profit of the parent Company after deducting its share of profit from listed associates & subject to the same law, also its share of NLST paid by listed subsidiaries subject to the same law and cash dividends received from listed companies subject to the same law in accordance with law No. 19 for year 2000 and Ministerial resolution No. 24 for year 2006 and their executive regulations.

30. Contribution to Zakat

Contribution to Zakat is calculated at 1% on the consolidated profit of the parent Company after deducting its share of profit from Kuwaiti shareholding associates subject to the same law, also its share of Zakat paid by Kuwaiti shareholding subsidiaries subject to the same law and cash dividends received from Kuwaiti shareholding companies subject to the same law in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations.

No Zakat has been provided since there was no profit on which Zakat could be calculated.

31. Board of Directors' remuneration

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

32. 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:

	2011	2010 (Restated)
	KD	KD
Net profit for the year attributable to parent company's shareholders	1,908,812	3,784,148
Number of shares outstanding:	Shares	Shares
Number of issued shares at beginning of the year	225,658,310	225,658,310
Bonus shares	11,282,901	11,282,901
Weighted average of treasury shares	(923,176)	(923,176)
Weighted average number of shares outstanding at end of the year	236,018,035	236,018,035
	Fils	Fils
Earnings per share attributable to parent company's shareholders	8.09	16.03

Earnings per share attributable to parent company's shareholders for the year ended December 31, 2010 was 16.83 fils before retroactive adjustment relating to bonus shares.

33. Proposed dividends and bonus shares

Cash Dividends

The Board of Directors' meeting held on March 29, 2012 recommend a cash dividend of 5 fils per share. This recommendation is subject to the approval of the Ordinary Shareholders' Annual General Assembly.

Bonus Shares

The Board of Directors' meeting held on March 29, 2012 recommend bonus shares of 5 shares for every 100 shares held. This recommendation is subject to the approval of the Ordinary Shareholders' Annual General Assembly.

The shareholders' general assembly meeting held on May 12, 2011 approved the distribution of cash dividend of 10 fils per share and 5 bonus shares for every 100 shares held (5%) for the year ended December 31, 2010.

34. Financial Risk Management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, receivables, investments, due from/to related parties, bank borrowings and payables 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
2011			
Due to banks	± 50 basis points	± 7,494,726	± 37,473
Loans	± 50 basis points	± 128,522,930	± 642,614
2010			
Due to banks	± 50 basis points	± 7,803,624	± 39,013
Loans	± 50 basis points	± 127,186,886	± 635,934

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
2011			
AED	± 5.00%	± 30,211	± 407,161
2010			
AED	± 5.00%	± 48,899	± 444,791

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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

2011	13- months	3 - 12 months	Over 1 year	Total
Financial liabilities				
Due to banks	-	7,494,726	-	7,494,726
Loans	-	7,364,888	121,158,042	128,522,930
Accounts payable and other credit balances	716,629	12,766,892	-	13,483,521
Murabaha payable	-	-	3,073,508	3,073,508
Due to related parties	-	-	3,161,166	3,161,166
Dividend payable to shareholders	2,088,128	-	-	2,088,128
Total	2,804,757	27,626,506	127,392,716	157,823,979

2010	13- months	3 - 12 months	Over 1 year	Total
Financial liabilities				
Due to banks	-	7,803,624	-	7,803,624
Loans	-	5,548,263	121,638,623	127,186,886
Accounts payable and other credit balances	1,305,473	10,415,009	-	11,720,482
Murabaha payable	-	-	2,313,675	2,313,675
Due to related parties	521,053	-	5,301,059	5,822,112
Dividend payable to shareholders	1,338,860	-	-	1,338,860
Total	3,165,386	23,766,896	129,253,357	156,185,639

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:

	2011		2010	
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	± 4,129	± %5	± 2,298

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.

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.

	Level 2	Total Balance
2011		
Investment available for sale	82,596	82,596

	Level 2	Total Balance
2010		
Investment available for sale	45,955	45,955

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:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- 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.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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35. 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:

	2011 KD	2010 KD
Due to banks	7,494,726	7,803,624
Loans and Murabaha payable	131,596,438	129,500,561
Less: cash and cash equivalents	(2,337,111)	(2,437,639)
Net debt	136,754,053	134,866,546
Total equity	81,936,355	82,195,987
Total capital resources	218,690,408	217,062,533

36. Contingent liabilities

	2011 KD	2010 KD
Letters of guarantee	7,397,706	7,397,706
Letters of credit	1,060,300	1,565,392
	8,458,006	8,963,098

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