

**REFRIGERATION INDUSTRIES AND STORAGE  
COMPANY K.S.C.**



**CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT FOR  
THE YEAR ENDED 31 DECEMBER 2008**

**REFRIGERATION INDUSTRIES AND STORAGE COMPANY K.S.C.**

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITORS' REPORT**

**For the year ended 31 December 2008**

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**Independent Auditors' Report**

The Shareholders of  
Refrigeration Industries and Storage Company K.S.C.

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Refrigeration Industries and Storage Company K.S.C. ("the Company") and its subsidiary (together referred to as "the Group"), which comprise the consolidated balance sheet at 31 December 2008, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements of the Group at 31 December 2007 were audited by another auditor, whose report dated 30 March 2008, expressed an unqualified opinion.

*Management's Responsibility for the Consolidated Financial Statements*

The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Except as discussed in the following paragraphs, 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 auditor's judgement, 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.



### *Basis of Qualified Opinion*


We have not been able to verify the valuation of inventories or the related effect on cost of sales included in the consolidated statement of income, due to the absence of costing records to identify the cost elements and determine the actual cost of inventories.

### *Qualified Opinion*


In our opinion, except for the effect of such adjustment, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the valuation of the inventories, the consolidated financial statements present fairly, in all material respects, the financial position of the Group at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Report on Other Legal and Regulatory Requirements**

We are also of the opinion that the consolidated financial statements give all the information required by the Commercial Companies' Law and the Company's Articles of Association, proper books of account were kept by the Company, the stocktaking was carried out in accordance with recognised principles and the accounting information provided in the Board of Directors report is in agreement with the books. We have obtained all the information we considered necessary for the satisfactory performance of our audit. We further believe, according to the information given to us, that no violations of the Commercial Companies' Law or the Company's Articles of Association, occurred during the year ended 31 December 2008, which might materially affect the Group's activities or its financial position.



Jassim Ahmad Al-Fahad  
License No. 53-A  
Al-Fahad & Co. Deloitte & Touche



Dr. Saad M. Al Muhanna  
License No. 29 A  
Horwath Al Muhanna & Co.

31 March 2009



**REFRIGERATION INDUSTRIES AND STORAGE COMPANY K.S.C.**
**CONSOLIDATED BALANCE SHEET**

At 31 December 2008



		2008	2007
	Notes	KD	KD
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	5	406,546	838,488
Investments at fair value through statement of income	6	284,637	292,143
Trade and other receivables	7	6,286,936	4,024,078
Inventories	8	8,578,774	5,763,280
Due from related party	9	-	2,500,000
		<u>15,556,893</u>	<u>13,417,989</u>
<b>Non-current assets</b>			
Available for sale investments	10	569,406	809,130
Property, plant and equipment	11	10,007,649	10,600,948
Intangible assets	12	596,770	246,000
		<u>11,173,825</u>	<u>11,656,078</u>
<b>Total assets</b>		<u>26,730,718</u>	<u>25,074,067</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Due to bank	5	180,163	-
Trade and other payables	13	4,735,930	1,824,884
		<u>4,916,093</u>	<u>1,824,884</u>
<b>Non-current liability</b>			
Provision for staff indemnity		708,140	649,250
<b>Total liabilities</b>		<u>5,624,233</u>	<u>2,474,134</u>
<b>Equity</b>			
Share capital	14	8,514,108	7,740,098
Statutory reserve	15	4,824,285	4,824,285
Voluntary reserve	16	4,728,317	4,728,317
Treasury shares	17	(309,013)	-
Treasury shares reserve		146,899	146,988
Fair value reserve		(380,990)	(139,302)
Retained earnings		3,582,879	5,299,547
<b>Total equity</b>		<u>21,106,485</u>	<u>22,599,933</u>
<b>Total liabilities and equity</b>		<u>26,730,718</u>	<u>25,074,067</u>

Sheikha Intisar Salem Al Sabah  
Chairperson and Managing Director

Nabil Abdullah Ali Al-Jeraisy  
Vice Chairman

The accompanying notes set out on pages 7 to 26 form an integral part of these consolidated financial statements.

**REFRIGERATION INDUSTRIES AND STORAGE COMPANY K.S.C.**
**CONSOLIDATED STATEMENT OF INCOME**

For the year ended 31 December 2008



	Notes	2008 KD	2007 KD
Revenue	18	13,915,397	14,592,672
Cost of revenue		(13,020,666)	(12,406,368)
Gross profit		894,731	2,186,304
General and administrative expenses	19	(1,104,349)	(1,793,148)
Investment income	20	331,477	241,713
Gain on sale of property, plant and equipment		25,641	369,607
Other income		77,718	85,484
Foreign exchange gain		24,370	56,461
<b>Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Directors' remuneration</b>		249,588	1,146,421
Provision for contribution to KFAS		(2,496)	(11,464)
Provision for contribution to NLST		(6,240)	(28,660)
Provision for contribution to Zakat		(2,496)	(947)
Directors' remuneration	21	(20,000)	(35,000)
<b>Profit for the year</b>		218,356	1,070,350
<b>Basic earnings per share (fils)</b>	22	2.58	12.57

The accompanying notes set out on pages 7 to 26 form an integral part of these consolidated financial statements.



# REFRIGERATION INDUSTRIES AND STORAGE COMPANY K.S.C.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Share capital	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Fair value reserve	Retained earnings	Total
	KD	KD	KD	KD	KD	KD	KD	KD
<b>Balance at 1 January 2007</b>	7,371,522	4,824,285	4,728,317	-	146,988	39,255	5,703,501	22,813,868
Changes in fair value of available for sale investments	-	-	-	-	-	(178,557)	-	(178,557)
Net expense recognised directly in equity	-	-	-	-	-	(178,557)	-	(178,557)
Profit for the year	-	-	-	-	-	-	1,070,350	1,070,350
Total recognized (expenses) / income for the year	-	-	-	-	-	(178,557)	1,070,350	891,793
Issue of bonus shares	368,576	-	-	-	-	-	(368,576)	-
Dividends	-	-	-	-	-	-	(1,105,728)	(1,105,728)
<b>Balance at 1 January 2008</b>	7,740,098	4,824,285	4,728,317	-	146,988	(139,302)	5,299,547	22,599,933
Changes in fair value of available for sale investments	-	-	-	-	-	(241,688)	-	(241,688)
Net expense recognised directly in equity	-	-	-	-	-	(241,688)	-	(241,688)
Profit for the year	-	-	-	-	-	-	218,356	218,356
Total recognized (expense) / income for the year	-	-	-	-	-	(241,688)	218,356	(23,332)
Purchase of treasury shares	-	-	-	(312,713)	-	-	-	(312,713)
Sale of treasury shares	-	-	-	3,700	(89)	-	-	3,611
Issue of bonus shares (note 25)	774,010	-	-	-	-	-	(774,010)	-
Dividends	-	-	-	-	-	-	(1,161,014)	(1,161,014)
<b>Balance at 31 December 2008</b>	8,514,108	4,824,285	4,728,317	(309,013)	146,899	(380,990)	3,582,879	21,106,485

The accompanying notes set out on pages 7 to 26 form an integral part of these consolidated financial statements.



**REFRIGERATION INDUSTRIES AND STORAGE COMPANY K.S.C.**
**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2008



	Notes	2008 KD	2007 KD
<b>OPERATING ACTIVITIES</b>			
Profit before provisions for contribution to KFAS, NLST, Zakat and Directors' remuneration		249,588	1,146,421
Adjustments for:			
Depreciation		881,493	914,004
Gain on sale of property, plant and equipment		(25,641)	(369,607)
Investment income	20	(331,477)	(241,713)
Provision for staff indemnity		116,794	146,177
		890,757	1,595,282
Trade and other receivables		(2,262,858)	(45,167)
Inventories		(2,815,494)	156,950
Due from related party		2,500,000	(1,500,000)
Trade and other payables		2,908,180	(131,109)
Payment to KFAS		-	(38,118)
Payment to NLST		-	(31,316)
Payment of staff indemnity		(57,904)	(67,394)
<b>Net cash generated by / (used in) operating activities</b>		<b>1,162,681</b>	<b>(60,872)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(320,333)	(380,931)
Purchase of intangible assets		(350,770)	(246,000)
Proceeds from sale of property, plant and equipment		57,780	1,022,818
Purchase of available for sale investments		(26,600)	(50,861)
Proceeds from sale of available for sale investments		24,636	248,919
Proceeds from sale of investments at fair value through statement of income		3,714	11,976
Interest income received		179,228	32,784
Dividend income received		156,041	200,753
<b>Net cash (used in) / generated by investing activities</b>		<b>(276,304)</b>	<b>839,458</b>
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(1,189,380)	(1,091,429)
Purchase of treasury shares		(312,713)	-
Proceeds from sale of treasury shares		3,611	-
<b>Net cash used in financing activities</b>		<b>(1,498,482)</b>	<b>(1,091,429)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(612,105)</b>	<b>(312,843)</b>
Cash and cash equivalents at beginning of the year		838,488	1,151,331
<b>Cash and cash equivalents at end of the year</b>	5	<b>226,383</b>	<b>838,488</b>

The accompanying notes set out on pages 7 to 26 form an integral part of these consolidated financial statements.





## 1. ESTABLISHMENT AND PRINCIPAL ACTIVITIES

Refrigeration Industries and Storage Company K.S.C ("the Company") is a Kuwaiti Shareholding Company incorporated on 8 March 1973 in accordance with the Commercial Companies Law.

These consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary Coolex General Trading and Contracting Company W.L.L. (together referred to as "the Group"). The subsidiary is dormant.

The principal activities of the Group are owning and leasing of cold storage warehouses, manufacturing, installing and maintaining air conditioning systems and investing surplus funds in investment portfolios managed by specialized investment management companies. The Company's shares are listed on the Kuwait Stock Exchange.

The registered office of the Company is P.O. Box 22261, Safat 13083, Kuwait.

These consolidated financial statements were authorized for issue by the Board of Directors on 31 March 2009.

## 2. ADOPTION OF NEW AND REVISED STANDARDS

### Standards and Interpretations effective in the current period

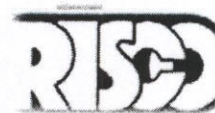
Three Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 11 *IFRS 2: Group and Treasury Share Transactions*, IFRIC 12 *Service Concession Arrangements*, IFRIC 14 *Scope of IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

### Standards and Interpretations in issue not yet adopted

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:

• IAS 1 (Revised) <i>Presentation of Financial Statements</i>	Effective for annual periods beginning on or after 1 January 2009
• IAS 16 (Revised) <i>Property, Plant and Equipment</i>	Effective for annual periods beginning on or after 1 January 2009
• IAS 19 (Revised) <i>Employee Benefits</i>	Effective for annual periods beginning on or after 1 January 2009
• IAS 20 (Revised) <i>Government Grants and Disclosure of Government Assistance</i>	Effective for annual periods beginning on or after 1 January 2009
• IAS 23 (Revised) <i>Borrowing Costs</i>	Effective for annual periods beginning on or after 1 January 2009
• IAS 27 (Revised) <i>Consolidated and Separate Financial Statements</i>	Effective for annual periods beginning on or after 1 July 2009
• IAS 28 (Revised) <i>Investments in Associates</i>	Effective for annual periods beginning on or after 1 July 2009
• IAS 29 (Revised) <i>Financial Reporting in Hyperinflationary Economies</i>	Effective for annual periods beginning on or after 1 January 2009
• IAS 31 (Revised) <i>Interests in Joint Ventures</i>	Effective for annual periods beginning on or after 1 July 2009
• IAS 32 (Revised) <i>Financial Instruments: Presentation</i>	Effective for annual periods beginning on or after 1 January 2009
• IAS 36 (Revised) <i>Impairment of Assets</i>	Effective for annual periods beginning on or after 1 January 2009





## 2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

### Standards and Interpretations in issue not yet adopted (Continued)

• IAS 38 (Revised) <i>Intangible Assets</i>	Effective for annual periods beginning on or after 1 January 2009
• IAS 39 (Revised) <i>Financial Instruments: Recognition and Measurement</i>	Effective for annual periods beginning on or after 1 January 2009 and 1 July 2009
• IAS 40 (Revised) <i>Investment Property</i>	Effective for annual periods beginning on or after 1 January 2009
• IAS 41 (Revised) <i>Agriculture</i>	Effective for annual periods beginning on or after 1 January 2009
• IFRS 1 (Revised) <i>First-time Adoption of International Financial Reporting Standards</i>	Effective for annual periods beginning on or after 1 January 2009.
• IFRS 2 (Revised) <i>Share-based Payment</i>	Effective for annual periods beginning on or after 1 January 2009
• IFRS 3 (Revised) <i>Business Combinations</i>	Effective for annual periods beginning on or after 1 July 2009
• IFRS 5 (Revised) <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Effective for annual periods beginning on or after 1 July 2009
• IFRS 8 <i>Operating Segments</i>	Effective for annual periods beginning on or after 1 January 2009
• IFRIC 13 <i>Customer Loyalty Programmes</i>	Effective for annual periods beginning on or after 1 July 2008
• IFRIC 15 <i>Agreements for the Construction of Real Estate</i>	Effective for annual periods beginning on or after 1 January 2009
• IFRIC 16 <i>Hedges of a Net Investment in a Foreign Operation</i>	Effective for annual periods beginning on or after 1 October 2008
• IFRIC 17 <i>Distributions of Non-cash Assets to Owners</i>	Effective for annual periods beginning on or after 1 July 2009

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the consolidated financial statements of the Group in the period of initial application.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

### Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of investments at fair value through statement of income and available for sale investments. The principal accounting policies are set out below.

These consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is the Group's functional and presentation currency.





### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary. A subsidiary is an enterprise controlled by the Company. Control exists when the 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 the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Minority interests, if any, in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Details of the subsidiary are as follows:

Name of subsidiary	Ownership and percentage of voting power		Country of incorporation	Principal activities
	2008	2007		
Coolex General Trading and Contracting Company W.L.L	100%	100%	Kuwait	Dormant

#### Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: 'cash and bank balances', 'investments at fair value through statement of income', 'available for sale investments' and 'trade receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

#### Cash and bank balances

Cash and bank balances comprise cash on hand and bank current accounts.





**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial assets (Continued)**

*Investments at fair value through statement of income*

Investments are classified at fair value through statement of income where the financial asset is either held for trading or it is designated as at fair value through statement of income.

A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; or (ii) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.

A financial asset other than a financial asset held for trading may be designated as at fair value through statement of income upon initial recognition if: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Investments at fair value through statement of income are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of income. The net gain or loss recognised in the consolidated statement of income incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 24.

*Available for sale investments*

The Group's investments in equity securities are classified as available for sale investments and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the fair value reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the consolidated statement of income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is included in the consolidated statement of income for the period.

Dividends on available for sale equity instruments are recognised in the consolidated statement of income when the Group's right to receive the dividends is established.

*Trade receivables*

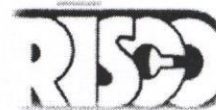
Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated statement of income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

*Impairment of financial assets*

Financial assets, other than held for trading investments, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For financial assets classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.





### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Financial assets (Continued)**

##### *Impairment of financial assets (Continued)*

For trade receivables, objective evidence of impairment could include: (i) significant financial difficulty of the issuer or counterparty; or (ii) default or delinquency in interest or principal payments; or (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of income.

With the exception of available for sale investments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated statement of income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale investments, impairment losses previously recognised in the consolidated statement of income are not reversed through the consolidated statement of income. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

##### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### **Financial liabilities**

##### *Trade payables*

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value after making allowance for any slow moving and obsolete items. Cost comprises the purchase price, import duties, transportation handling, and other direct costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.





**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property, plant and equipment**

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation methods are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on prospective basis.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

**Intangible assets**

Intangible assets consist of key money paid for acquiring leasehold rights to land occupied by the Group. Intangible assets are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated impairment losses.

The management of the Group believes that leasehold rights for the land have an indefinite useful life on the basis that these intangible assets represent legal rights that are renewable and that there is pervasive evidence that the renewal is virtually certain. Also, management expects that these assets will contribute cash flows on an ongoing basis. Intangible assets with an indefinite useful life are not amortised.

Any revaluation increase arising on the revaluation of such intangible assets is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the consolidated statement of income, in which case the increase is credited to the consolidated statement of income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such intangible assets is charged to the consolidated statement of income to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued intangible asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

**Impairment of tangible and intangible assets**

At each balance sheet date, 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. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.





**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of tangible and intangible assets (Continued)**

The recoverable amount is the higher of 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 recognised immediately in the consolidated statement of income.

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 recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

**Provision for staff indemnity**

Provision is made for staff indemnity which is payable on completion of employment. The provision is calculated in accordance with Kuwait Labour Law based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. The provision, which is unfunded, is determined as the liability that would arise as a result of the involuntary termination of staff at the balance sheet date, on the basis that this computation is a reliable approximation of the present value of this obligation.

**Treasury shares**

Treasury shares consist of the Company's own shares that have been issued, subsequently reacquired by the Company and not yet reissued or cancelled. 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 equity (treasury share 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 previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares 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.

**Revenue recognition**

*Sale of goods*

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

*Rendering of services*

Revenue from services rendered is recognised in the consolidated statement of income when services are rendered.





**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue recognition (Continued)**

*Dividend and interest income*

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income is accrued on a time basis with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

*Rental income*

Rental income is recognised on an accrual basis based on contract terms.

**Leasing**

*The Group as lessor*

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

**Translation of foreign currencies**

Foreign currency transactions are translated into KD using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the fair value reserve in equity.

**Contribution to Kuwait Foundation for the Advancement of Sciences**

The Group is legally required to contribute to the Kuwait Foundation for the Advancement of Sciences ("KFAS"). The Group's contributions to KFAS are recognized as an expense in the period during which the Group's contribution is legally required.

**Zakat**

Effective 10 December 2007, the Group has provided for Zakat in accordance with the requirements of Law No. 46 of 2006. The Zakat charge calculated in accordance with these requirements is charged to the consolidated statement of income.

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.





**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

**Critical judgements in applying the Group's accounting policies**

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

*Classification of investments*

Management decides on the acquisition of an investment whether to classify it as available for sale or at fair value through statement of income. The Group classifies investments as at fair value through statement of income if the investment has been acquired principally for the purpose of selling it in the near term and its fair value can be reliably determined. All other investments are classified as available for sale.

*Impairment of available for sale investments*

The Group follows the guidance of IAS 39 "Financial Instruments: Recognition and measurement" to determine when an available for sale investment is impaired. This determination requires significant judgement. In making this judgement, the Group assesses, among other factors, whether objective evidence of impairment exists.

**Key sources of estimation uncertainty**

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

*Impairment of tangible and intangible assets and useful lives*

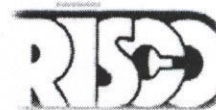
The Group's management tests annually whether tangible and intangible assets have suffered impairment in accordance with accounting policies stated in note 3, the recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The Group's management determines the useful lives and related depreciation charge. The depreciation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

*Impairment of financial assets*

The Group's management reviews periodically items classified as receivables to assess whether a provision for impairment should be recorded in the consolidated statement of income. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.



**5. CASH AND CASH EQUIVALENTS**

	2008	2007
	KD	KD
Cash on hand	-	26,755
Bank balances	406,546	811,733
Cash and bank balances	406,546	838,488
Less: Due to bank	(180,163)	-
	226,383	838,488

Due to bank has a maximum limit of KD 1,500,000 and carries an effective interest rate of 1.5% over the Central Bank of Kuwait discount rate per annum.

**6. INVESTMENTS AT FAIR VALUE THROUGH STATEMENT OF INCOME**

Investments at fair value through statement of income represent investments in a local fund which is valued at its redeemable net asset value reported by the fund manager.

**7. TRADE AND OTHER RECEIVABLES**

	2008	2007
	KD	KD
Trade receivables	6,332,937	4,295,245
Less: allowance for doubtful debts	(761,781)	(1,211,175)
	5,571,156	3,084,070
Advances to suppliers	144,921	450,700
Cheques under collection	369,646	297,480
Prepaid expenses	36,321	17,996
Accrued income	58,100	58,100
Refundable deposits	30,351	30,353
Other receivables	76,441	85,379
	6,286,936	4,024,078

The average credit period on rendering of services is 90 days. No interest is charged on the overdue trade receivables balance. Trade receivables above 90 days are provided for based on estimated irrecoverable amounts from the rendering of services, determined by reference to past default experience.

At 31 December 2008, trade receivables of KD 1,203,659 (2007: KD 971,183) were fully performing.

Included in the Group's trade receivables balance are debtors with a carrying amount of KD 4,367,497 (2007: KD 2,112,887) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

*Ageing of past due but not impaired*

	2008	2007
	KD	KD
90 – 180 days	758,507	751,932
180 – 360 days	581,325	1,360,955
360 + days	3,027,665	-
Total	4,367,497	2,112,887



**7. TRADE AND OTHER RECEIVABLES (CONTINUED)**

Movement in the allowance for doubtful debts

	2008	2007
	KD	KD
Balance at beginning of the year	1,211,175	786,833
Charged for the year	-	424,342
Written off during the year	(449,394)	-
Balance at end of the year	761,781	1,211,175

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables

	2008	2007
	KD	KD
360 + days	761,781	1,211,175

The carrying amounts of the Group's trade receivables are located in State of Kuwait and denominated in KD.

**8. INVENTORIES**

	2008	2007
	KD	KD
Raw materials	5,009,142	3,312,068
Finished goods	2,154,094	1,260,082
Spare parts	479,231	581,211
Work in progress	938,942	634,886
Goods in transit	198,831	176,499
	8,780,240	5,964,746
Provision for slow moving and obsolete items	(201,466)	(201,466)
	8,578,774	5,763,280



**9. RELATED PARTY TRANSACTIONS**

Related parties consist of shareholders, directors and executive officers of the Group, their families and companies of which they are the principal owners. In the normal course of business the Group enters into transactions with its shareholders. All related party transactions approximate arms length terms and are approved by the Group's management.

The related party transactions included in these consolidated financial statements are as follows:

**Compensation of key management personnel**

	2008	2007
	KD	KD
Short-term benefits	72,000	100,000
Termination benefits	13,800	13,800
	<u>85,800</u>	<u>113,800</u>

**10. AVAILABLE FOR SALE INVESTMENTS**

	2008	2007
	KD	KD
Local investments	10,741	10,741
Foreign investments	558,665	798,389
	<u>569,406</u>	<u>809,130</u>

Local investments are carried at cost due to the lack of an active market or other reliable measure of their fair values. Management is not aware of any indication regarding impairment. Foreign investments are investments in equity funds and are carried at fair value which is the redeemable net asset value reported by the fund manager.



# REFRIGERATION INDUSTRIES AND STORAGE COMPANY K.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008



### 11. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings	Machinery and plant	Tools and equipment	Generators and electrical appliances	Furniture and office equipment	Vehicles	Capital work-in-progress	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD
At 1 January 2007	3,165,582	8,589,777	1,754,155	671,499	2,046,735	1,273,287	6,809,333	697,730	25,008,098
Additions	-	1,147	4,475	14,475	-	19,310	45,224	296,300	380,931
Transfers	-	748,708	-	-	-	-	-	(748,708)	-
Disposals	-	(50,956)	-	-	(85,649)	-	(1,460,923)	-	(1,597,528)
At 1 January 2008	3,165,582	9,288,676	1,758,630	685,974	1,961,086	1,292,597	5,393,634	245,322	23,791,501
Additions	-	7,703	7,298	16,014	2,255	46,069	23,729	217,265	320,333
Transfers	-	61,075	46,380	-	-	39,551	-	(147,006)	-
Disposals	-	-	-	-	(8,400)	-	(98,331)	-	(106,731)
At 31 December 2008	3,165,582	9,357,454	1,812,308	701,988	1,954,941	1,378,217	5,319,032	315,581	24,005,103
<b>Accumulated depreciation</b>									
At 1 January 2007	-	6,799,646	1,083,204	655,746	1,696,837	865,614	2,119,819	-	13,220,866
Charge for the year	-	105,927	69,785	7,084	53,750	108,257	569,201	-	914,004
Disposals	-	(2,972)	-	-	(51,145)	-	(890,200)	-	(944,317)
At 1 January 2008	-	6,902,601	1,152,989	662,830	1,699,442	973,871	1,798,820	-	13,190,553
Charge for the year	-	149,310	72,913	12,896	20,109	100,989	525,276	-	881,493
Disposals	-	-	-	-	(8,400)	-	(66,192)	-	(74,592)
At 31 December 2008	-	7,051,911	1,225,902	675,726	1,711,151	1,074,860	2,257,904	-	13,997,454
<b>Carrying amount</b>									
At 31 December 2008	3,165,582	2,305,543	586,406	26,262	243,790	303,357	3,061,128	315,581	10,007,649
At 31 December 2007	3,165,582	2,386,075	605,641	23,144	261,644	318,726	3,594,814	245,322	10,600,948
Annual depreciation rates	-	5%	6.67 - 20%	20%	6.67 - 10%	20%	10 - 20%	-	-



# REFRIGERATION INDUSTRIES AND STORAGE COMPANY K.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008



### 11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation is allocated as follows:

	2008	2007
	KD	KD
Operating costs	721,125	778,343
General administrative expenses	160,368	135,661
	<u>881,493</u>	<u>914,004</u>

### 12. INTANGIBLE ASSETS

	Leasehold rights
Additions	246,000
At 1 January 2008	246,000
Additions	350,770
At 31 December 2008	<u>596,770</u>

Management believes that the fair value of the leasehold rights is not materially different from their carrying value as at the reporting date.

### 13. TRADE AND OTHER PAYABLES

	2008	2007
	KD	KD
Trade payables	1,809,638	975,329
Advance payments from customers	2,205,545	-
Accrued expenses	16,144	168,064
Dividends payable	315,216	286,848
Revenues received in advance	103,207	100,525
Provision for staff leave	206,500	184,036
Provisions for contribution to KFAS, NLST & Zakat	51,356	41,071
Board of Director' remuneration	20,000	35,000
Other payables	8,324	34,011
	<u>4,735,930</u>	<u>1,824,884</u>

### 14. SHARE CAPITAL

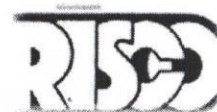
Share capital consists of 85,141,078 authorised, issued and fully paid up shares (2007: 77,400,980 authorised, issued and fully paid up shares) of 100 fils each.

### 15. STATUTORY RESERVE

As required by the Kuwait Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is to be transferred to the statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when retained earnings are not sufficient for the payment of such dividends.

In its meeting held on 30 September 2003 the annual General Assembly decided to discontinue the transfer to the statutory reserve, since the balance of the statutory reserve exceeded 50% of the share capital.



**16. VOLUNTARY RESERVE**

In accordance with the Company's Articles of Association, 10% of the profit for the year is to be transferred to the voluntary reserve. This transfer may be stopped by a resolution adopted by the ordinary general assembly as recommended by the Board of Directors. There are no restrictions on distributions from the voluntary reserve. In its meeting held on 30 September 2003 the annual General Assembly decided to discontinue the transfer to voluntary reserve.

**17. TREASURY SHARES**

	2008	2007
Number of own shares	840,000	-
Percentage of issued shares	1%	-
Book value (KD)	309,013	-
Market value (KD)	193,200	-

**18. REVENUES**

	2008	2007
	KD	KD
Contract revenues	5,702,011	6,700,680
Manufacturing revenues	3,325,871	2,912,936
Maintenance and spare parts	1,164,962	1,110,942
Storage revenues	3,722,553	3,868,114
	<u>13,915,397</u>	<u>14,592,672</u>

**19. GENERAL AND ADMINISTRATIVE EXPENSES**

	2008	2007
	KD	KD
Salaries and related costs	760,461	812,145
Depreciation	160,368	135,661
Bad debts	-	424,342
Other expenses	183,520	421,000
	<u>1,104,349</u>	<u>1,793,148</u>

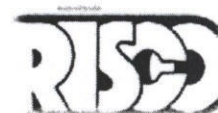
**20. INVESTMENT INCOME**

	2008	2007
	KD	KD
(Loss) / gain on revaluation of investments at fair value through statement of income	(3,792)	8,176
Dividend income	156,041	200,753
Interest income	179,228	32,784
	<u>331,477</u>	<u>241,713</u>

**21. DIRECTORS' REMUNERATION**

The Directors' remuneration is subject to the approval of the shareholders at the General Assembly meeting.





For the year ended 31 December 2008

**22. BASIC EARNINGS PER SHARE**

Basic earnings per share is computed by dividing profit for the year by the weighted average number of shares outstanding during the year. The information necessary to calculate basic earnings per share based on the weighted average number of shares outstanding during the year is as follows:

	2008	2007
	KD	KD
Profit for the year	218,356	1,070,350
Weighted average number of shares outstanding during the year	85,141,078	85,141,078
Weighted average number of treasury shares outstanding during the year	(487,875)	-
Weighted average number of outstanding shares during the year	84,653,203	85,141,078
Basic earnings per share (fils)	2.58	12.57

Basic earnings per share reported for year ended 31 December 2007 was 13.83 fils before retroactive adjustment for issue of bonus shares in 2008 (Note 25).

**23. SEGMENT INFORMATION****Primary reporting format - business segments**

For the purpose of segment reporting, the Group's management has classified its activities under the following primary business segments:

- Contracting and Manufacturing: Comprising manufacturing, producing, installing and repairing of central and split air-conditioners units.
- Storage services: Comprising rental of refrigeration storage, storage services for other companies, cold and frozen transportation.

	Contracting & manufacturing division	Storage division	Unallocated	Total
	KD	KD	KD	KD
<b>31 December 2008</b>				
Segment revenue	10,192,843	3,722,554	-	13,915,397
Segment result	(745,320)	1,640,051	(1,104,349)	(209,618)
Investment and other income				459,206
Provision for contribution to KFAS				(2,496)
Provision for contribution to NLST				(6,240)
Provision for contribution to Zakat				(2,496)
Directors' remuneration				(20,000)
Profit for the year				218,356
Assets	16,202,771	4,369,840	6,158,107	26,730,718
Liabilities	4,852,265	233,686	538,282	5,624,233



**23. SEGMENT INFORMATION (CONTINUED)**

	Contracting & manufacturing division KD	Storage division KD	Unallocated KD	Total KD
<b>31 December 2007</b>				
Segment revenue	10,354,951	4,237,721	-	14,592,672
Segment result	226,120	1,960,184	(1,793,148)	393,156
Investment and other income				753,265
Provision for contribution to KFAS				(11,464)
Provision for contribution to NLST				(28,660)
Provision for contribution to Zakat				(947)
Directors' remuneration				(35,000)
Profit for the year				1,070,350
Assets	11,544,836	5,800,105	7,729,126	25,074,067
Liabilities	1,826,178	219,915	428,041	2,474,134
Capital expenditure	375,068	5,728	246,135	626,931

**Secondary reporting format – geographical segments**

The Group's assets and liabilities are located in the State of Kuwait apart from investments in foreign equity funds amounting to KD 558,665 (2007: KD 798,389), which are primarily located in United States of America and England. Income from these investments amounted to KD 126,307 (2007: KD 196,363).

**24. FINANCIAL INSTRUMENTS****Capital risk management**

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2007.

The capital structure of the Group consists of cash and cash equivalents as disclosed in note 5 and equity comprising of share capital and reserves as disclosed in notes 13, 14, and 15 and retained earnings.

**Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3 to the consolidated financial statements.

**Categories of financial instruments**

	2008 KD	2007 KD
<b>Financial assets</b>		
Cash and bank balances	406,546	838,488
Investments at fair value through statement of income	284,637	292,143
Trade and other receivables	6,105,694	3,555,382
Due from related party	-	2,500,000
Available for sale investments	569,406	809,130
<b>Financial liabilities</b>		
Due to banks	180,163	-
Trade and other payables	2,196,210	1,338,248



**24. FINANCIAL INSTRUMENTS (CONTINUED)****Financial risk management objectives**

The Group's management monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and equity price risk), credit risk, and liquidity risk.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and equity prices.

*Foreign currency risk management*

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters and through continuously monitoring exchange rate fluctuations.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are not material.

*Foreign currency sensitivity analysis*

At 31 December 2008, if the foreign currencies had weakened/strengthened by 2% against KD with all other variables held constant, profit for the year would have not been significantly changed as the Group's foreign currencies balances are not material.

*Equity price risk*

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the balance sheet as available for sale and at fair value through statement of income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

**Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group uses its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade receivables consist of a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.



**24. FINANCIAL INSTRUMENTS (CONTINUED)***Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2008	2007
	KD	KD
Cash and bank balances	406,546	838,488
Investments at fair value through statement of income	284,637	292,143
Trade and other receivables	6,105,694	3,555,382
Due from related party	-	2,500,000
Available for sale investments	569,406	809,130
	<u>7,366,283</u>	<u>7,995,143</u>

**Liquidity risk management**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the management of the Group, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash and cash equivalents and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Trade and other payables are due within one year.

**Fair value of financial instruments**

The fair value of financial instruments traded in equity funds (such as investments at fair value through statement of income and available for sale investments) is based on their redeemable net asset value reported by the fund manager.

The fair value of financial instruments is not materially different from their respective carrying amounts as at reporting date.

**25. DIVIDENDS**

The Annual General Assembly that was held on 20 May 2008 approved the annual audited consolidated financial statements for the year ended 31 December 2007, the proposed cash dividend of 15 fils per share and the proposed distribution of bonus shares of 10% of the paid-up capital at 31 December 2007 to the shareholders of record as of the date of the Annual General Assembly.



**REFRIGERATION INDUSTRIES AND STORAGE COMPANY K.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2008

**27. COMMITMENTS AND CONTINGENT LIABILITIES**

	<u>2008</u>	<u>2007</u>
	KD	KD
Letters of guarantee	1,914,204	746,191
Capital commitments	-	104,824
	<u>1,914,204</u>	<u>851,015</u>

**28. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year's presentation.