Refrigeration Industries & Storage Company
K.S.C
And its subsidiary
Consolidated financial statements
For the year ended December 31, 2012

With the auditor's report

Refrigeration Industries & Storage Company
K.S.C. (Closed)
And its subsidiary
Kuwait
The financial statements for the year ended December 31, 2012

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M/S. shareholders
Refrigeration Industries & Storage Company
K.S.C
And its subsidiary
Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of M/S. Refrigeration Industries & Storage Company - K.S.C " the parent company " and its subsidiary " the group " which includes the consolidated statement of financial position as of December 31, 2012 and the consolidated statements of income, comprehensive income, changes in owner's 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

The parent company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with international fianacial reporting standards. this responsibility includes designing, implementing and maintaining internal control relevant to the preperation and fair presentation of 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.

Auditor's 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 perform the audit to obtain reasonable assurance whether the 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 judgment, including the assessment of the risks of material misstatement in 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 mangement, as well as evaluating the overall presentation of the consolidated financial statements.

الكويت - الشرق - شارع أحمد الجابر - عمارة كيربي - الدور الثاني - تلفون : ٢٢٤٢٤٩١٩ - ٢٢٤٢٣٤١٥ / ٧ - فاكس : ٢٢٤٢٢٠٢٦ - ص.ب : ٢٧٣٨٧ الصفاة - الرمز البريدي : ١٣١٣٤
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مكتب الواحة
لتدقيق الحسابات
علي عويد رخيص
محاسب قانوني فئة (١)

الوطني
لتدقيق الحسابات
قعيد حشاش العتيبي

We believed 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 M/S. Refrigeration Industries & Storage Company – K.S.C " the parent company " and its subsidiaries as of December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with international financial reporting standards.

Other matter

The consolidated financial statements have been audited for the year ended December 31, 2011 by another auditors who issued an unqualified report at March 19, 2012.

Report on other legal and regulatory requirements

Also in our opinion , the consolidated financial statements include the disclosures required by the commercial companies law no. 25 for year 2012 and the company's articles of association and we obtained the information that we required to perform our audit . in addition proper books of accounts have been kept , physical stocktaking was carried out in accordance with recognized practices and the accounting information given in the direcotor's report is in agreement with the company's books . according to the information available to me , there were no contraventions during the year ended December 31, 2012 of either the commercial companies law no. 25 for year 2012 or of the company's articles of association that might have materially affected the company's financial position or the results of its operations.

ALI Owaid Rukheyes
Public Accountant – 72
Member of certified public Accountants Society of (Montana)
Member of the Internationalcompany of Accounting Firms (igaf)
AL- Waha Auditing Office

Qaeid H. Al Otabi
Public Account -73 A
Member of certified public Accountants Society
AL- Watani Auditing Office

February 28, 2013

الكويت - الشرق - شارع أحمد الجابر - عمارة كيربي - الدور الثاني - تلفون: ٢٢٤٢٤٩١٩ - ٧ / ٢٢٤٢٣٤١٥ - فاكس: ٢٢٤٢٢٠٢٦ - ص.ب: ٢٧٣٨٧ الصفاة - الرمز البريدي: ١٣١٣٤
Kuwait - Sharq - Ahmed Al-Jaber St. - Kirby Bldg. - 2nd Floor - Tel.: 22424919 - 22423415/7 - Fax: 22422026 - P.O.Box: 27387 Safat - P.O.Cod: 13134
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Consolidated statement of financial position as of December 31, 2012

	Note	2012 K.D	2011 K.D
Assets			
Non-current assets			
Property, plant and equipment	4	**9,017,262**	7,468,078
Leased assets	5	**297,600**	-
Intangible assets	6	**219,354**	438,708
Total current assets		**9,534,216**	7,906,786
Current assets			
Inventories	7	**6,640,727**	6,102,119
Trade & other receivables	8	**6,762,688**	2,575,515
Bank balances and cash	9	**106,952**	2,813,629
Total current assets		**13,510,367**	11,491,263
Total assets		**23,044,583**	19,398,049
Owner's equity and liabilities			
Owner's equity			
Share capital	10	**8,939,813**	8,939,813
Statutory reserve	11	**4,824,285**	4,824,285
Voluntary reserve	12	**4,728,317**	4,728,317
Treasury shares	13	**(309,013)**	(309,013)
Treasury shares reserve		**146,899**	146,899
Accumulated losses		**(1,046,940)**	(3,463,197)
Total owner's equity		**17,283,361**	14,867,104
Non-current liabilities			
Provision for staff indemnity	14	**781,928**	637,537
Total non-current liabilities		**781,928**	637,537
Current liabilities			
Accounts payable and accruals	15	**3,526,644**	3,893,408
Due to bank	16	**516,650**	-
Bank loan	17	**750,000**	-
Obligations under finance lease - current portion	18	**186,000**	-
Total current liabilities		**4,979,294**	3,893,408
Total liabilities		**5,761,222**	4,530,945
Total liabilities and owner's equity		**23,044,583**	19,398,049

Saleh Al Mekhlef
Chairman & managing member

The accompanying notes are integral part of these consolidated financial statements

Consolidated statement of income for the year ended December 31, 2012

	Note	2012 K.D	2011 K.D
Operating revenues	19	21,246,105	12,305,402
Operating costs		(17,268,897)	(11,846,986)
Operating profit		3,977,208	458,416
Write-back of provision for old and obsolete inventories		-	74,447
Loss on sale of property, plant and equipment		(16,494)	(452,556)
Impairment of receivables		-	(1,041,980)
Write off of inventories		-	(581,841)
Depreciations	4 ، 5	(442,020)	(129,954)
Amortizations	6	(219,354)	(219,354)
Employees costs		(1,433,400)	(830,362)
Other operating expenses		(295,861)	(390,857)
Investment loss		-	(516,184)
Interest income		1,015	7,109
Other operating income		1,021,721	-
Foreign exchange (loss)/gain		(66,069)	64,966
Net profit (loss) for the year before KFAS share & NLST and Zakat share		2,526,746	(3,558,150)
National labor support tax	21	(66,778)	-
Zakart share	22	(26,711)	-
Board of director's remuneration		(17,000)	-
Net profit (loss) for the year related to the parent company		2,416,257	(3,558,150)
		Fils	Fils
Basic & diluted Earnings (loss) per share related to the parent company	23	27.30	(40.20)

The accompanying notes are integral part of these consolidated financial statements

Consolidated statement of comprehensive income for the year ended December 31, 2012

	Note	2012	2011
		K.D	K.D
Net profit (loss) for the year		2,416,257	(3,558,150)
Other comprehensive income for the year			
Impairment loss on financial assets available for sale transferred into consolidated statement of income		-	(25,455)
Total other comprehensive income (loss) for the year		-	(25,455)
Total comprehensive income (loss) for the year related to the parent company		2,416,257	(3,583,605)

The accompanying notes are integral part of these consolidated financial statements

Refrigeration Industries & Storage Company

K.S.C.

And its subsidiary

Kuwait

Consolidated statement of changes in owner's equity for the year ended December 31, 2012

	Share capital	Statutory reserve	Voluntary reserve	Treasury reserve	Treasury shares reserve	Cumulative change in fair value	Accumulated losses (Retained earnings)	Total
	K.D	K.D	K.D	K.D	K.D	K.D	K.D	K.D
Balance at January 1, 2012	8,939,813	4,824,285	4,728,317	(309,013)	146,899	-	(3,463,197)	14,867,104
Net profit for the year	-	-	-	-	-	-	2,416,257	2,416,257
Balance at December 31, 2012	8,939,813	4,824,285	4,728,317	(309,013)	146,899	-	(1,046,940)	17,283,361
Balance at January 1, 2011	8,514,108	4,824,285	4,728,317	(309,013)	146,899	25,455	942,163	18,872,214
Net loss for the year	-	-	-	-	-	-	(3,558,150)	(3,558,150)
Other comprehensive losses	-	-	-	-	-	(25,455)	-	(25,455)
Issue of a bonus share	425,705	-	-	-	-	-	(425,705)	-
Income dividends	-	-	-	-	-	-	(421,505)	(421,505)
Balance at December 31, 2011	8,939,813	4,824,285	4,728,317	(309,013)	146,899	-	(3,463,197)	14,867,104

The accompanying notes are integral part of these consolidated financial statements

Refrigeration Industries & Storage Company
K.S.C.
And its subsidiary
Kuwait

Statement of cash flows for the year ended December 31, 2012

	2012 K.D	2011 K.D
Cash flows from operating activities		
Net profit (loss) for the year	2,416,257	(3,558,150)
Adjustments		
Depreciations	709,329	378,704
Amortizations	219,354	219,354
Provision for staff indemnity	262,333	92,174
Recovery of provision for old and obsolete items	-	(426,732)
Write off of inventories	-	581,841
Provision for old and obsolete items	-	352,285
Impairment of receivables	-	1,041,980
Unrealised loss on financial assets at fair value through income statement	-	117,881
Realised loss on financial assets at fair value through income statement	-	(4,496)
Realised gain on financial assets available-for-sale	-	(31,475)
Impairment loss on financial assets available-for-sale	-	434,274
Loss on sale of property, plant and equipment	16,494	452,556
Interest income	(1,015)	(7,109)
Foreign exchange (loss)/gain	66,069	(64,966)
Operating profit (loss) before change in working capital items	3,688,821	(421,879)
Inventories	(538,608)	(726,366)
Trade & other receivables	(4,187,173)	602,509
Accounts payable and accruals	(104,164)	729,583
Cash flows (used in) generated from operating activities	(1,141,124)	183,847
Paid for staff indemnity	(117,942)	(152,538)
Net cash flows (used in) generated from operating activities	(1,259,066)	31,309
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,338,957)	(1,584,531)
Proceeds from sale of property, plant and equipment	138,350	871,000
Paid for leased assets	(372,000)	-
Proceeds from sale of financial assets available-for-sale	-	31,475
Proceeds from sale of financial assets at fair value through income statement	-	15,546
Interest received	1,015	7,109
Net cash flows used in operating activities	(2,571,592)	(659,401)
Cash flows from financing activities		
Obligations under finance lease	186,000	-
Due to bank	516,650	-
Bank loan	750,000	-
Dividends paid	(230,625)	(396,375)
Net cash flows generated from (used in) financing activities	1,222,025	(396,375)
Decrease in cash and cash equivalent	(2,608,633)	(1,024,467)
Cash and cash equivalent at the beginning of the year	2,484,960	3,509,427
Cash and cash equivalent at the end of the year	(123,673)	2,484,960

The accompanying notes are integral part of these consolidated financial statements

1 - **Legal form**

The Parent Company is a Kuwaiti shareholding company incorporated on 8 March 1973 in accordance with the Kuwait Commercial Companies Law, The Parent Company's shares were listed on Kuwait Stock Exchange on 29 September 1984 and is engaged in owning and leasing of cold storage warehouses, manufacturing, installing and maintaining air conditioning systems, and investing surplus funds through investment portfolio managed by specialised investment management Companies.

- The company's registered office is P.O. Box 22261 , Safat 13083 , State of Kuwait.
- The consolidated financial statements of Refrigeration Industries and Storage Company K.S.C. (the "Parent Company") and its subsidiary (collectively, the "Group") for the year ended 31 December 2012 were authorised for issue by the Parent Company's board of directors on February 27, 2013. The annual general meeting of the shareholders have the power to amend these consolidated financial statements after issuance.

2.1 **Bases of preparation :**

Statement of compliance

The 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 the applicable requirements of Ministerial Order No.18 of 1990. Significant accounting policies are summarized as follows:

2.2 **Adoption of new and amended standards**

The consolidated financial Statements are presented in Kuwaiti Dinars and have been prepared on a historical cost convention, the accounting policies applied by the company are similar to those applied in the previous year except for the changes resulting from application of some adjustments of IFRS as of January 1, 2011 as follows :

The IAS nr. 24 - Related party disclosures (issued at November 2009)

The amended standard cancel the IAS nr. 24 that have been issued in 2003, and it must be applied on the annual periods which start at or after January 1, 2011 . The amended standard clarify and simplify the definition of related party and exempts the governmental entities from the requirements of analytical disclosure of all transactions with the other related governmental entities . this exemption not affect on the company where that the company is not governmental entity, as well as it not affect on the balances of financial statements where that the scope of the amended standard adapt with the definition of related party previously .

Amendments of the IAS nr. 32 - entitled classifications of the issue rights (issued at Oct. 2009)

This standard is applied with a retroactive effect on the annual periods which start at or after February 1, 2010, and it clarify the accounting for the issue rights stated in a currency other than the functional currency, against some conditions sush as issue rights which is classified now as owner's equity regardless the stated currency of the price previously, these rights was considered derivative obligations. till date, the company not enter within these arrangements which is within the scope of the amendment .

The IFRS nr. 3 " Business Combinations " (Improvements on the IFRS 2010)

The requirements of conversion of the probable amount given resulted from the business combinations which have been completed before the date of effect the amended IFRS clarify that the amendments which are made on the IFRS nr. 7 (Financial Tools : Disclosures), and the IAS nr. 32 (Financial Tools : presentation), and the IAS nr. 39 (Financial Tools : Recognition & Measurement), which cancelled the exemption from the probable amount given, are not applied on the probable amount given resulted from the business combination which have been purchased before the date of application of IFRS nr. 3 (as it is amended in year 2008), this is applied with a retroactive effect on the annual periods which start at or after 1 July 2010 .

The measurement of undominated shares : the option of measurement of undominated shares at fair value or relative shares from the net assets of owned body is applied only on the tools which represent the current shares of the owner's equity which give the holders of these shares the relative sharing of the net assets in case of liquidation. all the kinds of another undominated shares have been measured at fair value as at the date of purchase, otherwise there is another measurement bases required as per the last IFRS. this is applied with a subsequent effect from the date of application of amended IFRS nr. 3 by the company on the annual periods which start at or after 1 July 2010 .

2.2 **Adoption of new and amended standards (continued)**

The interpretation issued from the IFRS interpretations committee nr. 19 : reconciliation of financial liabilities through equity tools (issued at November 2009)

The new interpretation clarify the calculation by the company when there is a negotiation on a financial liability conditions, this leads to that the entity issued owner's equity tools of the entity's creditor to exchange all or part of the financial liability. this requires a profit or loss which is stated in the statement of profit and loss, which is measured by the difference between the book value of the financial liability and the fair value of the issued owner's equity . in case of non-ability to measure the value of the issued owner's equity confidentially, it is measured at fair value of the exchanged financial liability . this interpretation is effective for the annual periods which start at or after 1 July 2010, till this date, the company not enter any arrangements which are within the scope of this interpretation.

The preparation of the financial statements as per the IFRS requires from the management to take some opinions & estimates and assumptions in the process of application of the accounting policies of the company. disclosure for the important accounting opinions & estimates and assumptions are in note nr. 26.

The standards & interpretations issued and not yet effective

The following standards and interpretations have been issued by the IAS Board, and not yet applied by the company.

IFRS 9 " Financial Tools"

The standard which will be effective for the annual periods which start from or after 1 January 2015, clarify how the entity classify and measure its assets. The standard stipulates that all financial assets have been classified based on the entity's work model in managing the financial assets and based on the characteristics of of contractual cash flows of the financial assets. the financial assets have been measured based on the amortized cost or fair value. these requirements improve and simplify the method of classification and measurement of the financial assets in comparison with the requirements of the IAS nr. 39. these requirements apply a fixed method to classify the financial assets to replace many categories of financial assets stated in the IAS nr. 39 which have a private classification standard. these requirements lead to a united method to determine the impairment to replace many methods of determining the impairment stated in the IAS nr. 39 resulting from classifications of different categories.

IFRS 10 : financial statements (issued at May 2011)

The new standard clarify the principles of control, and determine how to know if the investor is controlled in the invested party, so the financial statements of the invested party must be consolidated . The standard represents the single consolidation method which identify the control as a basis for consolidation for all kinds of entities, when the control is based on that the investor has the ability on the invested party, and controlling in the different returns and has the ability on the invested party in a way that affect on the amount of the returns . this standard are effective on the annual periods which start at or after 1 January 2013 .

IFRS 11 : common arrangements (issued at May 2011)

The new standard requires from the party in the common arrangements to determine the kind of common arrangements included through determining the rights and obligations then accounting for these rights and obligations according to the kind of common arrangements . the common arrangements may be common operating processes or a particular partnership .

In the common operating processes, the parties which have the right in the assets, liabilities related to these arrangements . The assets, liabilities, revenues and expenses have been stated based on its share in the operating processes .

In the particular partnership, the parties have the right in the net assets of these arrangements . The particular partnership apply the owner's equity method in accounting for its investments in the particular partnership based on the IAS 28 - Investment in associates & particular partnership (2011) . in a different method than the IAS 31, the use of amount given of the relative share is not allowable . the IFRS 11 is effective on the annual periods which start at or after 1 January 2013 .

2.2 Adoption of new and amended standards (continued)

IFRS 12 : Disclosure for the shares in the other companies (issue at May 2011)

The new standard improve, link and replace the requirements of disclosure for the subsidiaries, common arrangements and associates in addition the structured non-consolidated companies . This standard requires a comprehensive disclosure for the information which enable the user of the financial statements to evaluate the nature and the risks related to its share in the another companies and the effect of these shares on its financial position and performance, and on the cash flows . the IFRS 12 is effective on the annual periods which start at or after 1 January 2013 .

IFRS 13 : measurement of fair value (Issue at May 2011)

The new standard clarify the fair value, it is set in an independent standard frame to measure the fair value and disclosures required for measurement of value. The IFRS 13 is applied when the other standard require that or allow to measure the fair value . this standard not present any new requirements to measure the assets or liabilities at fair value. changing what is measured at fair value in the IFRS or direct how the changes in fair value have been presented. the new standards are effective on the annual periods which start at or after 1 January 2013 .

2.3 Basis of consolidation

The consolidated financial statements include the financial statements of the parent company and its owned subsidiaries as of December 31, 2012 .

The subsidiaries are consolidated in full from the date of acquisition which represent the date of actual dominance on these companies and continue till the date of cease of this dominance . the financial statements of the subsidiaries are prepared for the same financial year of the parent company using united accounting policies . at consolidation, all balances, revenues, expenses, unrealized profits and losses resulting from transactions between the group and the its companies are excluded .

The undominated shares represent the part of profits , losses and net assets which the group doesn't keep it and stated separately in the consolidated statement of income and stated in the consolidated statement of financial position within the owner's equity as a separate item of the owner's equity pertaining to the parent company's shareholders . the accounting about the acquisition of undominated shares is made using a method of expanding the parent company's actions through recording the difference between the amount given and the book value of the net assets purchased of this share as a goodwill .

The details of the subsidiaries which includes the consolidated financial statements are as follows :-

* Subsidiaries	Country of incorporation	Main activity	Ownership ratio 2012	Ownership ratio 2011
Coolex General Trading & Contracting Company - w.l.l	Kuwait	Active	99%	99%

* The ownership of non-significant units which are kept by Trustees who assurred through abandonment book that the parent company is the beneficiary owner from these shares in the subsidiaries.

2.4 Significant accounting policies

The most significant accounting policies used in the preparing the consolidated financial statements have been summarized as follows:

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and /or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment . When significant parts property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated income statement as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 years
Machinery, plant, tools and equipment	5-15 years
Generators and electrical appliances	15 years
Motor vehicles	10 years
Furniture and office equipment	5 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.4 Significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

A summary of the policies applied to the Group's intangible assets is as follows:

	Useful life	**Internally generated or acquired**
Land lease rights from government	Finite – 5 years	Acquired

Financial instruments – initial recognition and subsequent measurement

(1) Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, the date that the Group commits to purchase or sell the asset.

The Group's financial assets include bank balances and cash, accounts receivable and other assets.

Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group does not have any loans receivable. Receivables include trade accounts receivable and other receivables.

Trade accounts receivable are stated at original amount less a provision for any uncollectible amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

2.4 Significant accounting policies (continued)

Derecognition

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

- the rights to receive cash flows from the asset have expired,
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

(2) Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment is determined as follows:

• for assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective interest rate;

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

(3) Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transactions costs.

The Group's financial liabilities include accounts payable and due to banks.

Subsequent measurement

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

Accounts payable

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

2.4 Significant accounting policies (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

(4) Offsetting of financial instruments

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

(5) Fair value of financial instruments

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

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

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials and spare parts	Purchase cost on a moving average basis.
Work in progress and finished goods	Cost of direct materials and labour and a proportion of manufacturing based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset.

2.4 **Significant accounting policies (continued)**

Impairment of non-financial assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in the consolidated income statement.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances, and cash on hand net of restricted bank balances.

Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are sold, gains are credited to a separate account in equity (the "treasury share reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve.

Gains realised 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 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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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.

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees under the Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its Kuwaiti employees, the Company also makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries.

2.4 Significant accounting policies (continued)

Foreign currency translation

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated income statement.

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenue from construction contracts

Revenue from construction contracts is recognised as soon as it can be estimated reliably. The Group uses the percentage of completion method to determine the appropriate amount to be recognised in a given period. The stage of completion is measured by reference to cost incurred to date to estimated total cost for each contract. The full amount of the anticipated loss, including any loss related to future work on the contract, is recognised in the period in which the loss is identified. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the costs incurred are eligible to be recovered.

Rendering of services

Maintenance revenue is recognised upon performance of services.

Storage revenues

Storage revenues from operating leases are recognized on straight line basis over the lease term.

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

Interest income

Interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period where appropriate, to the net carrying amount of the financial asset.

3 - Significant accounting policies, estimates and assumptions

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

Judgements

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of accounts receivable

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. The estimation is performed on an individual basis for amounts which are past due, and a provision applied according to the length of time past due, based on historical recovery rates.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where management believes the useful lives differ from previous estimates.

Impairment of inventories

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

8 -Fixed assets

	Lands	Buildings	Machines	Vehicles	Generators & electric tools	Furniture & office equipments	Tools & Equipments	Work-in progress	Total
Cost	K.D	K.D	K.D	K.D	K.D	K.D	K.D	K.D	K.D
Balance at December 31, 2011	2,751,660	9,754,354	1,835,948	1,252,207	1,992,096	1,460,524	728,845	1,532,420	21,308,054
Additions	124,600	26,754	1,091,628.00	279,075	116,721	58,189	113,976	528,014	2,338,957
Transferred from WIP	-	79,932	645,619.00	-	77,118	36,055	-	(838,724)	-
Disposals	-	(352,677)	(115,457)	(108,322)	-	-	-	-	(576,456)
Balance at December 31, 2012	2,876,260	9,508,363	3,457,738	1,422,960	2,185,935	1,554,768	842,821	1,221,710	23,070,555
Accumulated Depreciation									
Balance at December 31, 2011	-	7,616,313	1,410,899	1,026,447	1,752,984	1,323,823	709,510	-	13,839,976
Charged for the year	-	236,747	164,573	98,423	43,152	64,929	27,105	-	634,929
Disposals	-	(227,727)	(87,804)	(106,081)	-	-	-	-	(421,612)
Balance at December 31, 2012	-	7,625,333	1,487,668	1,018,789	1,796,136	1,388,752	736,615.00	-	14,053,293
Net Book Value									
Balance at December 31, 2012	2,876,260	1,883,030	1,970,070	404,171	389,799	166,016	106,206	1,221,710	9,017,262
Balance at December 31, 2011	2,751,660	2,138,041	425,049	225,760	239,112	136,701	19,335	1,532,420	7,468,078

The depreciation expense has been distributed in the consolidated income statement as follows :

The depreciation expenses are charged on the consolidated income statement as follows :-

	2012	2011
	K.D	K.D
Costs of revenues	**267,309**	248,750
Profit & loss	**367,620**	129,954
	634,929	378,704

5 - Leased assets

During the current year, the group made finance lease contracts of some vehicles with asset lifes from 1 year to 3 year . There is no restriction imposed on the group to approach this kind of contracts.

	2012 K.D
Cost	
At 1 January	-
Additions during the year	372,000
At 31 December	372,000
Accumulated depreciation	
At 1 January	-
Charged for the year	(74,400)
At 31 December	(74,400)
Net book value	**297,600**

6 - Intangible assets

	2012 K.D	2011 K.D
Cost		
At 1 January	1,096,770	1,096,770
At 31 December	1,096,770	1,096,770
Accumulated depreciation		
At 1 January	(658,062)	(438,708)
Charged for the year	(219,354)	(219,354)
At 31 December	(877,416)	(658,062)
Net book value at the end of the year	219,354	438,708

7 - Inventories

	2012 K.D	2011 K.D
Spare parts	891,038	353,453
Raw materials	5,020,415	5,045,782
Finished goods	1,221,148	430,247
Work in progress	482,001	992,207
Goods in transit	-	254,305
	7,614,602	7,075,994
Provision for old and obsolete inventories	(973,875)	(973,875)
Total	6,640,727	6,102,119

The movement in a provision for old & obsolete items which have been impaired are as follows:

	2012 K.D	2011 K.D
At the beginning	973,875	1,048,322
Charged for the year	-	352,285
Recovery during the year	-	(426,732)
At the end	973,875	973,875

8 - Trade & other receivables

	2012 K.D	2011 K.D
* Trade receivables	**8,652,424**	3,742,482
Provision for doubtful debts	**(2,910,408)**	(2,910,408)
	5,742,016	832,074
Unbilled revenue, net	**304,874**	304,733
Prepaid expenses	**10,825**	44,856
Refundable deposits	**71,476**	12,990
Advance to suppliers	**493,934**	1,311,505
Other receivables	**139,563**	69,357
Total	**6,762,688**	2,575,515

* **Trade receivables**

There is no permanent impairment in the trade receivables balances which are late paid less than three months . As at December 31, 2012 the balances of trade receivables which are late paid and not impaired & fully provided for are K.D 2,910,408 (2011: 2,910,408). The movement in the provision for doubtful trade accounts receivable that are individually determined to be impaired is as follows:

	2012 K.D	2011 K.D
At the beginning of the year	**2,910,408**	1,868,428
Charged for the year	-	1,041,980
	2,910,408	2,910,408

As at December 31, the analysis of aging trade receivables are as follows :-

	2012 K.D	2011 K.D
From 1 month to 3 months	**2,467,371**	386,528
From 3 months to 6 months & more	**1,583,786**	215,015
From 6 months to 1 year	**977,339**	127,135
More than 1 year	**713,520**	103,396
	5,742,016	832,074

The other items within the trade & other receivables does not include assets must be impaired. The maximum amount exposed to the credit risks at the date of financial statements is the fair value of each item mentioned above.

9 - Cash & cash equivalent

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include the following amounts:

	2012 K.D	2011 K.D
Cash on hand	-	1,000
Cash at banks	**106,952**	2,812,629
	106,952	2,813,629
* Less: restricted balances at banks	**(230,625)**	(328,669)
	(123,673)	2,484,960

* Restricted bank balance represents unclaimed dividend payable declared in prior years.

10 - Share capital

The authorised, issued and fully paid up K.D 8,939,813 (2011: 8,939,813) distributed on 89,398,130 shares of 100 fils each.

11 - Statutory reserve

In accordance with the Commercial Companies Law and the Parent Company's Articles of Association, the annual transfer to statutory reserve of 10% of the profit for the year has been discontinued as the reserve exceeds 50% of paid-up share capital.

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

Because there is accumulated losses from previous years, no transfer from the net profit to the statutory reserve account.

12 - Voluntary reserve

In accordance with the Parent Company's Articles of Association 10% of the profit for the year before contribution to KFAS, Zakat and Directors' remuneration is required to be transferred to the voluntary reserve. The Parent Company has decided to discontinue such transfer. There are no restrictions on distributions from voluntary reserve.

13 - Treasury shares

	2012 K.D	2011 K.D
Number of own shares	**882,000**	882,000
Percentage of issued shares	**1%**	1%
Market value (KD)	**210,798**	139,356
Cost (KD)	**309,013**	309,013

14 - Employee's end of service indemnity

	2012 K.D	2011 K.D
At 1 January	**637,537**	697,901
Provided during the year	**262,333**	92,174
Paid during the year	**(117,942)**	(152,538)
At December 31	**781,928**	637,537

15 - Trade & other payables

	2012 K.D	2011 K.D
Trade payables	**1,208,105**	2,478,387
Accrued expenses	**500,587**	626,785
Accrued leaves	**241,768**	266,786
Unclaimed dividend payable	**230,625**	328,669
Advances from customers	**1,252,070**	189,557
NLST	**66,778**	-
Zakat share	**26,711**	-
Other payables	-	3,224
Total	**3,526,644**	3,893,408

16 - **Due to bank**

It is represented in bank facilities (overdraft) from one of the local banks (Commercial Bank of Kuwait) at interest rate 1.75 % annually above the discount rate announced by the Central Bank of Kuwait .

17 - **Bank loan**

It is represented in a circulated loan from the Commercial Bank of Kuwait at interest rate 2 % annually above the discount rate announced by the Central Bank of Kuwait, the loan is repaid at one payment dated December 4, 2013.

18 - **Obligations under finance lease**

	2012 Present value of minimum lease payments K.D
Amounts payable under finance lease	
Within one year	186,000
In second to three years inclusive	-
	186,000
Less: future finance charges	-
Present value of leasing obligations	**186,000**
Included in the consolidated financial statements as	
Current obligations under finance lease	186,000
	186,000

It is the Company's policy to lease certain of its vehicles under finance leases. The average lease term is 3 years. Total rental value amounting K.D 186,000 . All leases are on fixed repayment basis and no arrangements have been made as for contingent rental payments.

The fair value of the company's lease obligations approximates their carrying amount.

The company's obligations under finance leases are secured by the lessors' title to the leased assets.

19 - **Operating income**

	2012 K.D	2011 K.D
Contract	**6,606,113**	5,831,624
Contracting	**6,481,129**	-
Storage	**2,157,291**	2,212,191
Manufacturing	**4,838,593**	3,281,903
Maintenance and spare parts	**1,162,979**	979,684
Total	**21,246,105**	12,305,402

20 - **KFAS share**

It is calculated KFAS share at 1% of year's profit before KFAS share, Zakat share, board of directors remuneration and after deducting the amount transferred to the statutory reserve, there is no calculation of KFAS share for the year ended December 31, 2012 because there is an accumulated losses from previous years .

21 - **National Labor Support Tax**

It is calculated NLST at 2.5 % of the net profit of the company before zakat share, KFAS share, NLST, board of director's remuneration and after deducting the income dividends received from the companies which are listed in the Kuwait Stock Exchange .

22 - **Zakat share**

As per the Zakat Law No. 46 for year 2006 in matter of Zakat & contribution of general and closed shareholding companies in the state Balance Sheet. it is calculated a provision of Zakat at 1% of the net profit of the company before zakat share, KFAS share, NLST, board of director's remuneration and after deducting the cash dividends received from the companies which are listed in the Kuwait Stock Exchange .

23 - **Basic & Diluted Earnings (losses) per share**

Basic & Diluted earnings per share is calculated by dividing the net profit (loss) for the year on the weighted average of number of common shares outstanding related to the parent company less weighted average of treasury shares during the year as follows :-

	2012 K.D	2011 K.D
Net profit (loss) for the year related to the parent company	**2,416,257**	(3,558,150)
Weighted average of number of shares outstanding	**89,398,135**	89,398,135
Less: weighted average of treasury shares	**(882,000)**	(882,000)
Weighted average of number of shares outstanding	**88,516,135**	88,516,135
	Fils	Fils
Basic & Diluted earnings (loss) per share related to the parent company	**27.30**	(40.20)

24 - **Related party transactions**

These are represented in the company's main shareholders, members of the board of directors, executive management and the parties related to them. Prices and terms of these transactions have been approved by the management.

Top management remuneration	2012 K.D	2,011 K.D
Key management compensation and salaries	**91,400**	102,978
Employee's end of service indemnity	**12,000**	8,808
	103,400	111,786

25 - **Commitments and contingencies**

Contingent liabilities

At December 31, 2012 the parent company offered a performance guarantee to customers amounting K.D 2,186,518 (2011: K.D 2,447,237), no expectations for any significant liabilities.

Contingencies

In the ordinary course of business, the Group has credit-related commitments amounting to KD 887,698 (2011: KD 1,245,143).

Legal claim Contingencies

The Group is also involved in various claims and legal proceedings including employee compensation and contractor disputes. The legal counsel of the Group believes that such claims will not have a material adverse effect on the consolidated financial statements.

25 - Commitments and contingencies (continued)

Operating lease commitments - Group as lessee

The Group has entered into commercial leases on certain buildings and land. These leases have an average life of between one and five years. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payables under non-cancellable operating leases as at 31 December are as follows:

	2012 K.D	2,011 K.D
During 1 year	153,392	156,386
From 1 year to 5 year	199,888	312,772
	353,280	469,158

Operating lease commitments - Group as lessee

The Group has entered into commercial leases on certain buildings and land. These leases have an average life of between one and three years. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payables under non-cancellable operating leases are as follows:

	2012 K.D
During 1 year	186,000
From 1 year to 3 year	-
	186,000

26 - Segment information

For management purposes, the Group is organised into business units based on activities and services and has two reportable segments as follows:

Contracting and manufacturing division	Consisting of manufacturing, producing, installing and repairing of central and split air conditioning units.
Contracting and manufacturing division	Consisting of manufacturing, producing, installing and repairing of central and split air conditioning units.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. The Group does not have any inter-segment transactions.

The following table presents segment revenue and results, assets and liabilities information regarding the Group's operating business segments:

26 - Segment information (continued)

At 31 December 2011

	Contracting and manufacturing K.D	Storage K.D	Unallocated K.D	Total K.D
Revenue	17,925,835	2,157,291	1,162,979	21,246,105
Results				
Depreciation and amortization	369,866	285,958	272,859	928,683
Results	1,089,733	1,215,236	111,288	2,416,257
Assets	15,901,025	1,671,130	5,472,428	23,044,583
Liabilities	5,174,575	1,788	584,859	5,761,222
Other disclosures				
Capital expenditure	2,179,387	2,626	156,944	2,338,957

At 31 December 2011

	Contracting and manufacturing K.D	Storage K.D	Unallocated K.D	Total K.D
Revenue	9,113,528	2,212,191	979,683	12,305,402
Results				
Depreciation and amortization	370,240	97,865	129,953	598,058
Impairment of financial assets available-for-sale	-			
Write-off of inventories	581,841			
Impairment of receivables	887,546			
Results	(3,802,672)	1,537,028	(1,292,506)	(3,558,150)
Assets	13,384,875	1,406,693	4,606,481	19,398,049
Liabilities	4,051,628	1,400	477,917	4,530,945
Other disclosures				
Capital expenditure	1,562,268	-	22,263	1,584,531

Geographic information

The Group operates in two geographic regions; Kuwait and Non-Kuwait. The following table shows the distribution of the Group's segment revenue and non-current assets by region:

Revenue

	2012 K.D	2011 K.D
Kuwait	**20,841,394**	12,158,552
Non-Kuwait	**404,711**	146,850
	21,246,105	12,305,402

Non-current assets

	2012 K.D	2011 K.D
Kuwait	**9,534,216**	12,158,552
Non-Kuwait	-	146,850
	9,534,216	12,305,402

Non-current assets for this purpose consist of property, plant and equipment, intangible assets and financial assets available-for-sale.

27 - Risk management

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group's policy is to monitor these business risks through the Group's strategic planning process. No changes were made in the risk management objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011. The Parent Company's management reviews and agrees policies for managing each of these risks which are summarised below:

Credit risks

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. Financial assets subject to credit risk consist principally of bank balances and accounts receivable and other assets, Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored at 31 December 2012 .

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several industries and operate in largely independent markets. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks.

The maximum exposure to credit risk at the reporting date is as follows:

Non-current assets

	2012	2011
	K.D	K.D
Accounts receivable and other assets (excluding advances to suppliers and prepaid expenses)	**6,257,929**	1,219,154
Bank balances (excluding cash)	**106,952**	2,812,629
	6,364,881	4,031,783

The maximum credit exposure to a single counter party is KD 4,333,102 (2011: KD 2,740,438).

Risk concentration of maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group's financial assets subject to credit risk, before taking into account any collateral held or credit enhancements, *can be analysed by the following geographic regions and industry sectors:*

27 - **Risk management (continued)**
Credit risks (continued)

	2012 K.D	2011 K.D
Geographic regions:		
Kuwait	**6,364,881**	4,031,783

	2012 K.D	2011 K.D
Business sectors:		
Banks & financial institutions	**106,952**	2,812,629
Companies	**6,257,929**	1,219,154
	6,364,881	4,031,783

Liquidity risks

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group has procedures in place with the objective of minimising such risk such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet future commitments

The Group limits its liquidity risk by ensuring funds from related parties and bank facilities are available. Trade accounts receivable are non-interest bearing and are generally on 30 to 90 day terms. Trade accounts payable are normally settled within 60 days of the date of purchase.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

At 31 December 2012	**Contracting and manufacturing** K.D	**Storage** K.D	**Unallocated** K.D	**Total** K.D
Due to bank	516,650	-	-	516,650
Bank loan	-	-	750,000	750,000
Accounts payable & accruals	545,833	276,170	272,859	1,094,862
At 31 December 2012				
Accounts payable & accruals	647,772	338,283	2,907,353	3,893,408

Market risks

Market risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices. Market risk comprise of interest rate risk, currency risk and equity price risk.

Interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its interest bearing assets mainly bank balances.

Based on the Group's interest bearing financial assets held at the year end, an increase in interest rate, with all other variables held constant, would not significantly impact the Group's consolidated financial statements.

27 - **Risk management (continued)**

Foreign currency risks

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is not exposed to significant foreign currency risk as a substantial portion of the Group's operating activities, assets and liabilities are denominated in Kuwaiti Dinars.

Price share risks

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. Equity price risk arises from changes in the fair values of quoted equity investments.

The Group is not exposed to equity price risk as it does not have any quoted equity investments.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the year ended 31 December 2012 and 31 December 2011.

Capital represents total equity amounting at KD 17,255,746 (2011: KD 14,867,104).

28 - **Comparative figures**

- Where is necessary, the comparative figures have been reclassified to fit the current year presentation .
- The comparative figures have been audited by another auditors .