Refrigeration Industries and Storage Company K.S.C.
Kuwait

Consolidated Annual Financial Statements and Independent Auditors' Report
31 December 2007

PRICEWATERHOUSECOOPERS

Horwath Al-Muhanna & Co.

C o n t e n t s

Refrigeration Industries and Storage Company K.S.C.
Kuwait

Consolidated Balance Sheet as at 31 December 2007

	Note	Kuwaiti Dinars 2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment	3	10,846,948	11,527,744
Available for sale investments	4	809,130	989,382
		11,656,078	12,517,126
Current assets			
Inventories	5	5,763,280	5,920,230
Trade and other receivables	6	4,048,790	4,439,152
Due from a related party		-	1,000,000
Investments at fair value through statement of income	7	292,143	291,553
Cash and bank balances	8	3,338,488	1,151,331
		13,442,701	12,802,266
Total assets		25,098,779	25,319,392
EQUITY AND LIABILITIES			
Equity			
Share capital	9	7,740,098	7,371,522
Treasury shares reserve		146,988	146,988
Statutory reserve	9	4,824,285	4,824,285
Voluntary reserve	9	4,728,317	4,728,317
Fair valuation reserve		(139,302)	39,255
Retained earnings		5,334,324	5,703,501
		22,634,710	22,813,868
Non-current liabilities			
Post employment benefits		649,250	570,467
Current liabilities			
Trade and other payables	10	1,527,971	1,662,508
Dividend payable		286,848	272,549
		1,814,819	1,935,057
Total liabilities			2,505,524
Total equity and liabilities		25,098,779	25,319,392

The accompanying notes are an integral part of these consolidated financial statements.

Sheikha Entesaar Salem Al Sabah
Chairman and Managing Director

Abdullah Saleh Ibrahim Al Nasser
Vice Chairman

Refrigeration Industries and Storage Company K.S.C.
Kuwait

Consolidated Statement of Income – Year ended 31 December 2007

	Note	Kuwaiti Dinars 2007	2006
Operating revenue	11	14,852,160	16,252,010
Operating costs	12	(12,344,736)	(14,033,286)
Gross profit		2,507,423	2,218,724
Other operating income		85,484	52,186
General and administrative expenses	13	(2,114,268)	(1,457,895)
Operating profit		478,639	813,015
Compensation claim received	14	-	2,559,125
Gain on sale of property, plant and equipment		369,607	58,422
Gains from investments at fair value through statement of income	15	12,566	20,834
Realised gain from available for sale investments	16	196,363	275,329
Foreign exchange differences		56,461	22,926
Interest income		32,784	62,147
Board of Directors' remuneration	17	-	(35,000)
Zakat		(1,169)	-
Contribution to Kuwait Foundation for Advancement of Sciences		(11,464)	(38,118)
National Labour Support Tax		(28,660)	(31,316)
Profit for the year		1,105,127	3,707,364
Earnings per share (fils) – Basic and diluted	18		50.29

The accompanying notes are an integral part of these consolidated financial statements.

Refrigeration Industries and Storage Company K.S.C.
Kuwait

Consolidated Statement of Changes in Equity – Year ended 31 December 2007

	Kuwaiti Dinars						
	Share capital	Treasury Shares reserve	Statutory reserve	Voluntary reserve	Fair valuation reserve	Retained earnings	Total
Balance as at 1 January 2006	7,371,522	146,988	4,824,285	4,728,317	-	5,681,895	22,753,007
Effect of changes in fair values of "available for sale" investments	-	-	-	-	39,255	-	39,255
Net income directly recognised in equity	-	-	-	-	39,255	-	39,255
Profit for the year	-	-	-	-		3,707,364	3,707,364
Total income recognised for the year	-	-	-	-	39,255	3,707,364	3,746,619
Cash dividends for 2005	-	-	-	-	-	(3,685,758)	(3,685,758)
Balance as at 31 December 2006	7,371,522	146,988	4,824,285	4,728,317	39,255	5,703,501	22,813,868
Balance as at 1 January 2007	7,371,522	146,988	4,824,285	4,728,317	39,255	5,703,501	22,813,868
Effect of changes in fair values of "available for sale" investments	-	-	-	-	(178,557)	-	(178,557)
Net income directly recognised in equity	-	-	-	-	(178,557)	-	(178,557)
Profit for the year	-	-	-	-	-	1,105,127	1,105,127
Total income recognised for the year	-	-	-	-	(178,557)	1,105,127	926,570
Bonus shares issued	368,576	-	-	-	-	(368,576)	-
Cash dividends for 2006	-	-	-	-	-	(1,105,728)	(1,105,728)
Balance as at 31 December 2007	7,740,098	146,988	4,824,285	4,728,317	(139,302)	5,334,324	22,634,710

The accompanying notes are an integral part of these consolidated financial statements.

Refrigeration Industries and Storage Company K.S.C.
Kuwait

Consolidated Statement of Cash Flows – Year ended 31 December 2007

	Kuwaiti Dinars	
	2007	**2006**
Cash flows from operating activities		
Profit for the year	1,105,127	3,707,364
Adjustments:		
Depreciation	914,005	962,235
Provision reversed	(259,488)	
Gain on sale of property, plant and equipment	(369,607)	(58,422)
Post employment benefits	146,177	85,995
Gains from investments at fair value through statement of income	(12,566)	(20,834)
Realised (gain)/ loss from available for sale investments	(196,363)	(275,329)
Interest income	(32,784)	(62,147)
Operating profit before changes in working capital	1,294,501	4,338,862
Inventories	156,950	1,775,845
Trade and other receivables	390,362	644,960
Decrease in due from a related party	1,000,000	-
Trade and other payables	(134,531)	(2,301,450)
Cash generated from operating activities	2,707,276	4,458,217
Post employment benefits paid	(67,394)	-
Net cash generated from operations	2,639,882	4,458,217
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,079,339)	(1,032,407)
Disposal of property, plant and equipment	1,475,226	193,871
Purchase of available for sale investments	(50,862)	(85,174)
Proceeds from investments	260,895	869,546
Interest income received	32,784	62,147
Net cash generated from investing activities	638,704	7,983
Cash flows from financing activities		
Bank overdraft	-	(62,162)
Dividends paid	(1,091,429)	(3,739,073)
Net cash used in financing activities	(1,091,429)	(3,801,235)
Net increase/ (decrease) in cash and cash equivalents	2,187,157	664,965
Cash and cash equivalents at the beginning of year	1,151,331	486,366
Cash and cash equivalents at the end of year (note 9)	3,338,488	1,151,331

The accompanying notes are an integral part of these consolidated financial statements.

1. Constitution & Activities

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

The Company's registered office is at P.O. Box 22261, Safat 13083, Kuwait.

The consolidated financial statement include the financial statements of the Company and its wholly owned subsidiary Coolex General Trading and Contracting Company (W.L.L.) ("together the Group").

The principal activities of the Group are the 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 Parent Company's shares are listed on the Kuwait Stock Exchange.

The consolidated financial statements were authorized for issuance by the Board of Directors on ……………., and are subject to shareholder approval at their forthcoming annual general meeting.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards – IFRS (International Accounting Standards issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee) under the historical cost basis of measurement as modified by the revaluation at fair value of financial assets held as "at fair value through statement of income " and "available for sale".

In preparing these consolidated financial statements, the financial statements of the Group have been combined on a line by line basis, after eliminating intra group balances, intra group transactions and resulting unrealized profits in full and using uniform accounting policies for like transactions and other events in similar circumstances.

The accounting policies are consistent with those used in the previous year except that the company has adopted IFRS 7 Financial Instruments: Disclosures and amendment to International Accounting Standard (IAS) 1 – Capital Disclosures. As a result additional disclosures are made that will enable users to evaluate:

1) the significance of financial instruments for the company's financial position and performance;

2) the nature and extend of risks arising from financial instruments to which the company is exposed during the year and at the reporting date, and how the company manages those risks; and

3) the company's objectives, policies and processes for managing capital.

2.2 International Accounting Standards Board (IASB) Standards and interpretations issued but not yet effective and not yet adopted by the company

The following IASB Standards and Interpretations have been issued but are not yet mandatory, and have not yet been adopted by the Group:

IFRIC 11: IFRS 2 – Group and Treasury Share Transactions
IFRIC 12: Service concession Arrangements.
IFRIC 14: IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction
IAS 23 (amendment) – Borrowing Costs
IFRS 8,'Operating segments' (effective from 1 January 2009).

The application of IFRS 8, which will be effective for annual periods beginning on or after 1 January 2009, will result in amended and additional disclosures relating to reporting on operating segments. IFRIC 11, which will be effective for the year ending 31 December 2007, is not expected to have a material impact on the financial statements of the Group.

2.3 Property, Plant and Equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation and impairment losses, if any. Historical cost of an item of property, plant and equipment comprises its acquisition cost and all directly attributable costs of bringing the asset to working condition for its intended use.

Capital work in progress is carried at cost less impairment losses, if any and transferred to the related asset category when ready for its intended use.

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

Depreciation

Depreciation is provided on a straight line basis on all property and equipment except land which is determined to have an indefinite useful life, and capital work in progress. The rates of depreciation are based upon the following estimated useful lives:

	Years
Buildings	20
Machinery	5 - 15
Tools and equipment	5
Generators and electrical appliances	10 – 15
Furniture and office equipment	5
Vehicles	5 – 10

The carrying amount of property, plant and equipment is reviewed at each balance sheet date to determine whether there is any indication of impairment in its carrying value. If any such indication exists, an impairment loss is recognized in the statement of income, being the difference between carrying value and the asset's recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of income.

2.4 Financial instruments

Classification

The Group classifies its financial instruments as 'at fair value through statement of income', 'available for sale investments', 'loans and receivables' and financial liabilities other than at fair value. Management determines the appropriate classification at the time of acquisition.

Recognition and de-recognition

The Group recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. A financial asset (in whole or in part) is de-recognised when the right to the cash flows from the financial asset expires or, when the Group transfers substantially all the risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A regular way purchase and sale of financial instruments are recognized using trade date accounting. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Measurement

Financial instruments are initially measured at fair value. Transaction costs are added only for those financial instruments not subsequently measured at fair value through statement of income.

Financial assets at fair value through statement of income

These include financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy. These are subsequently measured at fair value. Realised gains and losses and those arising from changes in fair value are included in the statement of income.

Available for sale investments

"Available for sale" investment securities are subsequently re-measured and carried at fair values. Resultant gains and losses are taken to shareholders' equity as fair valuation reserve till the investment security is disposed off or impaired when any prior fair value adjustments earlier reported in equity is transferred to statement of income.

Loans and receivables

These are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortized cost using the effective yield method.

Financial liabilities other than at fair value through statement of income

Financial liabilities other than at fair value through statement of income are subsequently measured at amortized cost using the effective yield method.

Fair values

The fair value of financial instruments traded in recognised financial markets is their quoted market price, based on the closing bid prices. Fair values of unquoted equity instruments are estimated using applicable price/earnings or price/cash flow ratios or other appropriate models refined to reflect the specific circumstances of the issuer or at cost, if reliable estimate of fair value cannot be made.

The fair value of financial instruments carried at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

Impairment

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset, or a group of similar assets, may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined based on the historical patterns of losses in each component and the credit standing of the counter party and any loss is recognised in the statement of income.

2.5 Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Cost is determined on a weighted average basis for raw materials. In case of finished products and products in process, cost comprises of direct materials, direct and indirect labour and production overhead.

2.6 Cash and cash equivalents

Cash in hand and time deposits with banks whose original maturities do not exceed three months are classified as cash and cash equivalents in the statement of cash flows.

2.7 Treasury shares

The cost of the Company's own shares purchased, including directly attributable costs, is recognised as a change in shareholders' equity. Gains or losses arising on sale are separately disclosed under shareholders' equity.

2.8 Post employment benefits

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at cessation of employment.

The defined benefit plan is unfunded and is based on the liability that would arise on involuntary termination of all employees on the balance sheet date. This basis is considered to be a reliable approximation of the present value of this liability.

2.9 Provisions for liabilities

Provisions for liabilities are recognised when as a result of past events it is probable that an outflow of economic resources will be required to settle a present legal or constructive obligation; and the amount can be reliably estimated.

2.10 Accounting for leases

Where the Group is the lessee

Leases of property and equipment under which, all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease or over the expected time pattern of user's benefit.

2.11 Revenue recognition

Revenue from trading and service activities is recognized on delivery of goods or services.

Revenue from civil construction and service contracts are recognised under the percentage of completion method, measured by reference to the proportion of contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable. Full provision is made for expected future losses.

Revenue from installation contracts is recognised on completion of the installation.

Interest income is recognised on effective yield basis.

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

2.12 Foreign currencies

The functional currency of the Group is the Kuwaiti Dinar. Foreign currency transactions are recorded at the rates of exchange ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted to Kuwaiti Dinars at the year end rates. Resultant gains and losses are taken to statement of income.

Non-monetary assets and liabilities in foreign currencies that are stated at fair value are translated to Kuwaiti Dinars at the foreign exchange rates ruling at the dates that the values were determined. In case of non-monetary assets whose changes in fair values are recognised directly in equity, foreign exchange differences are recognised directly in equity. For other non-monetary assets foreign exchange differences are recognised directly in the statement of income.

2.13 Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these financial statements, as actual results could differ from those estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Judgements and estimates that are significant to the financial statements are:

Judgments

Classification of financial instruments

Management has to decide on acquisition of a financial instrument whether it should be classified as carried at fair value through statement of income, available for sale or as loans and receivables. In making that judgment the Company considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgment determines whether they are subsequently measured at cost or at fair value and if the changes in fair value are reported in the statement of income or directly in equity.

Impairment of available for sale investments

The Company treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment and involves evaluating factors including industry and market conditions, future cash flows and discount factors.

Estimates

Impairment of financial and non financial assets

The Company reviews its financial assets classified as "loans and receivables", and other assets like inventory and property, plant and equipment periodically to assess whether a provision for impairment should be recorded in the statement of income. In particular, considerable judgment by management is required in the estimation of 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 judgment and uncertainty.

Fair value of unquoted investment securities

The valuation techniques for unquoted investment securities make use of estimates such as future cash flows and discount factors, current market prices adjusted for market, credit and model risks and related costs and other valuation techniques commonly used by market participants where appropriate.

Revenue recognition

Contract revenue is measured at fair value of the consideration received or receivable. The measurement of contract revenue is affected by a variety of uncertainties that depend on the outcome of future events. The estimates often need to be revised as events occur and uncertainties are resolved.

3. Property, plant and equipment

	Kuwaiti Dinars								
	Land	**Buildings**	**Machinery & plant**	**Tools & equipment**	**Generators & electrical appliances**	**Furniture & office equipment**	**Vehicles**	**Capital work-in-progress**	**Total**
Cost									
As 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	246,000	749,855	4,475	14,475	-	19,310	45,224	-	1,079,339
Disposals	-	(50,956)	-	-	(94,049)	-	(1,473,463)	(452,408)	(2,070,877)
As at 31 December 2007	3,411,582	9,288,676	1,758,630	685,974	1,952,686	1,292,597	5,381,094	245,322	24,016,560
Accumulated depreciation									
As at 1 January 2007	-	6,799,646	1,083,204	655,746	1,956,325	865,614	2,119,819	-	13,480,354
Reversal of impairment loss	-	-	-	-	(259,488)	-	-	-	(259,488)
Deprecation for the year	-	105,927	69,785	7,084	53,750	108,257	569,201	-	914,005
Disposals	-	(2,972)	-	-	(59,545)	-	(902,740)	-	(965,258)
As at 31 December 2007	-	6,902,600	1,152,989	662,830	1,691,042	973,871	1,786,280	-	13,169,612
Net book value									
As at 31 December 2007	3,411,582	2,386,075	605,641	23,144	261,644	318,726	3,594,815	245,322	10,846,948
As at 31 December 2006	3,165,582	1,790,131	670,951	15,753	90,410	407,673	4,689,514	697,730	11,527,744

Buildings are constructed on leasehold lands from the Government of Kuwait. The expected time pattern of user's benefit is indefinite and accordingly land is carried at its acquisition cost. Reversal of impairment loss pertain to generators and electrical appliances used in harbour which are fully depreciated.

Deprecation is allocated as follows:

	Kuwaiti Dinars	
	2007	**2006**
Cost of sales (Note 13)		836,261
General administrative expense		125,974
		962,235

4. Available for sale investments

	Kuwaiti Dinars	
	2007	**2006**
Local investments	10,741	10,741
Foreign investments	798,389	978,641
	809,130	989,382

Local investments are unquoted equity investments carried at cost, since a reliable approximation of their fair value cannot be made. Foreign investments are investments in equity funds and are valued at fair value which is the redeemable net asset value reported by the fund manager.

5. Inventories

	Kuwaiti Dinars	
	2007	**2006**
Raw materials		3,923,640
Finished goods		957,356
Spare parts		471,754
Work in progress		314,220
Goods in transit		454,726
		6,121,696
Provision for obsolescence		(201,466)
		5,920,230

6. Trade and other receivables

	Kuwaiti Dinars	
	2007	**2006**
Trade receivables	4,617,437	4,429,669
Advances to suppliers		143,257
Prepayments	468,695	231,058
Accrued revenues	58,100	65,516
Refundable deposits	30,353	30,068
Other receivables	85,380	66,929
	5,259,963	4,966,497
Provision for doubtful debts	(1,211,175)	(527,345)
	4,048,790	4,439,152

As of 31 December 2007, trade receivables of KD xxxxxxx (31 December 2006: KD xxxxxxx) were impaired and provided for. The individually impaired receivables mainly relate to receivables from villa customers. It was assessed that a portion of the receivables is expected to be received.

Reconciliation of provision for impairment of trade and other receivables is as follows:

	Kuwaiti Dinars	
	2007	**2006**
Opening balance – 1 January		
Recoveries/ Write back of provisions		
Charge for the year		
Closing balance – 31 December		

Trade receivables that are less than twelve months past due are not considered impaired. As of 31 December 2007, trade receivables of KD xxxxxx (2006: KD xxxxxxx) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

	Kuwaiti Dinars	
	2007	**2006**
Up to 6 months		
6 – 12 months		

The carrying amounts of the Company's trade and other receivables are denominated in the functional currency.

7. Investments at fair value through Statement of Income

This represents investment in an open ended local fund which is valued at its redeemable net asset value reported by fund manager.

8. Cash and bank balances

This represents cash in hand and call and current account balances with local banks.

9. Share capital

The authorised, issued and fully paid up share capital of the Parent Company is KD 7,371,522 comprising of 73,715,222 shares of 100 fils each (2006 : KD 7,371,522 comprising of 73,715,222 shares of 100 fils each)

Statutory reserve

In accordance with the Law of Commercial Companies and the articles of association of the Parent company, 10% of the net profit for the year should be transferred to legal reserve. The legal reserve exceeds 50% of share capital and as permitted by its articles of association, the Parent Company's shareholders resolved in the general assembly meeting held on 20 September 2003 to discontinue appropriations to legal reserve. This reserve can be utilised only for distribution of a maximum dividend of 5% in years when the retained earnings are inadequate for this purpose.

Voluntary reserve

In accordance with the Parent Company's articles of association, 10% of the net profit for the year should be transferred to voluntary reserve. As permitted by its articles of association, the Parent Company's shareholders resolved in the general assembly meeting held on 20 September 2003 to discontinue appropriations to voluntary reserve. There is no restriction on distribution of this reserve.

Proposed dividend

The Board of Directors have proposed distribution of cash dividend of KD xxxxx and bonus dividend of xx shares for every share held amounting to KD xxxxx (2006: KD1,105,728 and bonus dividend of xx shares for every share held amounting to KD 368,576).

10. Trade and other payables

	Kuwaiti Dinars	
	2007	**2006**
Trade payables	975,333	1,186,492
Accrued expenses	352,100	291,931
Revenues in advance	125,237	54,356
Dues to Staff	28,021	24,287
Kuwait Foundation for Advancement of Sciences	11,464	38,118
National Labour Support Tax	28,660	31,316
Board of Directors' remuneration	-	35,000
Zakat	1,169	
Other payables	5,990	1,008
	1,527,974	1,662,508

11. Operating Revenues

	Kuwaiti Dinars	
	2007	**2006**
Contract revenues	6,700,680	7,732,286
Manufacturing revenues	2,912,936	3,137,542
Maintenance and spare parts	1,110,942	1,576,619
Storage revenues	4,127,602	3,805,563
	14,852,160	16,252,010

12. Operating costs and general and administrative expenses

	Kuwaiti Dinars	
	2007	**2006**
Materials used		9,404,837
Salaries		3,495,861
Depreciation		962,235
Other expenses		1,628,248
		15,491,181

The number of personnel employed by the Company as of 31 December 2007 was 1,350 (2006 – 1,423).

13. Compensation claim received

In July 2003 the United Nations Compensation Committee awarded the Group an amount of KD 5,386,636 as compensation for damages resulting from the Iraqi Invasion of Kuwait. The Group has received KD 5,282,161 as of the balance sheet.

14. Gains from investments at fair value through statement of income

	Kuwaiti Dinars	
	2007	**2006**
Cash dividends	4,390	5,722
Unrealised gain/ (loss)	8,176	(1,848)
Realised gain	-	16,960
	12,566	20,834

15. Realised gain from available for sale investment

	Kuwaiti Dinars	
	2007	**2006**
Cash dividends	196,363	275,329
	196,363	275,329

16. Board of Directors' remuneration

This is subject to approval of shareholders in the forthcoming annual general meeting.

17. Earnings per share

	2007	**2006**
Net profit for the year		3,707,364
Weighted average number of outstanding shares (number)		73,715,2222
Earnings per share (fils) – basic and diluted		50.29

There were no potential dilutive equity shares.

18. Related party transactions

The Group enters into transaction with related parties (i.e. key management personnel) on terms and conditions approved by management. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Key management compensation is as follows:

	Kuwaiti Dinars	
	2007	**2006**
Salaries and other short-term employee benefits		115,756

19. 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, installation and repairing of central and spilt air-conditioners units.
- Storage services: Comprising of rental of refrigeration storages, storage services for other companies, cold and frozen transportation.

	Kuwaiti Dinars			
	Contracting & Manufacturing Division	**Storage Division**	**Unallocated**	**Total**
Year ended 31 December 2007				
Operating income				
Segment result				
Interest and other operating income				
Contribution to Kuwait Foundation for the Advancement of Sciences				
National Labour Support Tax				
Board of Directors' remuneration				
Net profit				
Assets				
Liabilities				
Capital Expenditure				
Disposals				
Depreciation charge				
Depreciation on disposals				

	Kuwaiti Dinars			
	Contracting & Manufacturing Division	**Storage Division**	**Unallocated**	**Total**
Year ended 31 December 2006				
Operating income	12,446,447	3,805,563	-	16,252,010
Segment result	1,304,461	914,257	1,478,747	3,697,465
Interest and other operating income				114,333
Contribution to Kuwait Foundation for the Advancement of Sciences				(38,118)
National Labour Support Tax				(31,316)
Board of Directors' remuneration				(35,000)
Net profit				3,707,364
Assets	11,055,056	5,516,709	8,747,627	25,319,392
Liabilities	1,610,371	52,137	843,016	2,505,524
Capital Expenditure	107,206	560,033	365,168	1,032,407
Disposals	-	(252,285)	-	(252,285)
Depreciation charge	(47,696)	(752,076)	(162,463)	(962,235)
Depreciation on disposals		116,835		116,835

Secondary reporting format – geographical segments

The Company's assets and liabilities are in Kuwait.

20. Commitments and contingent liabilities

Capital commitments

	Kuwaiti Dinars	
	2007	**2006**
Letters of Credit		41,437

Contingent liabilities

The Group was contingently liable for KD 2,103,951 (2006 - KD 1,919,189), in respect of outstanding letters of guarantee.

21. Financial instruments – fair value and risk management

The Group's financial instruments as of 31 December 2007 and 2006 have been categorized as follows:

Category	**Financial assets**
Loans and receivables	Cash and bank balances Trade and other receivables Due from a related party
At fair value through profit or loss	Investment in an open ended local fund
Available for sale investments	Investments in unquoted local and foreign equity instruments.
Financial liabilities other than at fair value through statement of income	Trade and other payables

Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

The carrying value less impairment of trade receivables and payables and due from a related party are assumed to approximate their fair values as they are short term in nature.

The fair values of investment in an open ended local fund is based on the published net asset value (N.A.V) given by the Fund Manager.

Available for sale investments in unquoted local and foreign equity instruments securities are carried at cost as reliable estimate of fair value cannot be made.

Financial risk factors

The Group's use of financial instruments exposes it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. Group's management identifies and evaluates financial risk in close co-operation with the group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The significant risks that the Group is exposed to are discussed below

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the company to credit risk, consist principally of fixed and short notice bank deposits and trade and other receivables. The company manages this risk by placing fixed and short term bank deposits with high credit rating financial institutions. Credit risk with respect to receivables is limited as these are mainly with customers of high repute and no history of defaults.

The Group considers its maximum exposure to credit risk to be as follows:

	2007	**2006**
	KD	**KD**
Cash and cash equivalents		
Trade receivables and other receivables		
Due from a related party		

Market risk

(a) Market risk

Market risk, comprising of price risk, interest rate risk and currency risk arises due to movements in market prices of assets, interest rates and foreign currency rates.

(i) Interest rate risk

Interest rate risk arises from the risk that future cash flows or fair values of a financial instrument will fluctuate because of changes in market interest rates.

The only interest bearing financial instruments are call and current account balances with local and foreign banks and as such the Company's income and operating cash flows are substantially independent of changes in market interest rates.

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The company manages this risk by setting limits on exposures to currency and counter party and transacting business in major currencies with counter parties of repute.

The effect on income as at 31 December 2007 if there was a 5% increase in the exchange rate of major currencies vis-à-vis the Kuwaiti Dinar, with all other variables held constant, is as follows:

Currency	2007 Impact on net profit KD	2006 Impact on net profit KD
US Dollar		
Saudi Riyal		
U.A.E Dirham		

(iii) Equity price risk

Equity price risk is the risk that value of the instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market. The Group is exposed to limited equity price risk as it has only one quoted investment i.e. an investment in a local open ended equity fund.

A 5% increase/decrease in equity indices, with all other variables held constant, would have brought about and increase/decrease in income of KD xxxxx (2006: KD xxxxxxx).

Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its funding requirement. Liquidity management risk includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The company maintains flexibility in funding by maintaining availability under committed credit lines.

22. Capital management

Company defines capital as total shareholders equity as shown in the balance sheet. The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The company's management monitors the return on capital.

There were no changes in the company's approach to capital management during the year and the company is not subject to externally imposed capital requirements. Capital includes equity attributable to the equity holders of the Company.

23. Comparative figures

Certain prior year amounts have been reclassified to conform to the current year presentation, but do not affect previously reported net profit or share holder's equity.