Refrigeration Industries and Storage Company K.S.C. And its Subsidiary

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF REFRIGERATION INDUSTRIES AND STORAGE COMPANY K.S.C.

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

The consolidated financial statements of the Group as of 31 December 2008 were audited by another auditor whose report dated 31 March 2008, expressed a qualified opinion on those consolidated financial statements regarding the valuation of inventories.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF REFRIGERATION INDUSTRIES AND STORAGE COMPANY K.S.C. (continued)

Basis of Qualified Opinion

We were appointed as auditors of the Parent Company for the first time for the year ending 31 December 2009, and consequently did not report on the consolidated financial statements for the year ended 31 December 2008. It was not possible for us to satisfy ourselves as to the existence and the valuation of assets and liabilities as at 31 December 2008. Any adjustment to these figures would have a consequential effect on the results for the year ended 31 December 2009.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis of Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the company's articles of association, that an inventory was carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the year ended 31 December 2009 that might have had a material effect on the business of the Parent company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG

ALI OWAID RUKHAEYES
LICENSE NO. 72 A
MEMBER OF THE INTERNATIONAL
GROUP OF ACCOUNTING FIRMS

17 March 2010

Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2009

	Notes	***2009*** ***KD***	*(Restated)* *2008* *KD*
Revenues	4	**12,555,042**	13,915,397
Cost of revenues		**(11,841,647)**	(13,020,666)
Gross profit		**713,395**	894,731
Other operating income		**1,462**	77,718
(Loss) gain on sale of property, plant and equipment		**(40,976)**	25,641
Interest income		**34,572**	179,228
Investment income	5	**54,815**	152,249
Foreign exchange (loss) gain		**(16,124)**	24,370
Impairment of financial assets available for sale	29	**-**	(375,133)
Provision for doubtful debts	13	**(1,295,456)**	-
Provision for slow moving and obsolete items		**(1,144,284)**	-
General and administrative expenses	6	**(1,640,198)**	(1,104,349)
LOSS BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST"), ZAKAT AND DIRECTORS' REMUNERATION		**(3,332,794)**	(125,545)
Contribution to KFAS		**-**	(2,496)
NLST		**-**	(6,240)
Zakat		**-**	(2,496)
Directors' remuneration	7	**-**	(20,000)
LOSS FOR THE YEAR		**(3,332,794)**	(156,777)
BASIC AND DILUTED LOSS PER SHARE	8	**(39.53) fils**	(1.85) fils

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 KD	(Restated) 2008 KD
Loss for the year	**(3,332,794)**	(156,777)
Other comprehensive income (loss)		
Financial assets available for sale:		
- Change in fair values	**12,357**	(241,688)
- Impairment losses transferred to consolidated statement of income	-	375,133
Other comprehensive income for the year	**12,357**	133,445
Total comprehensive loss for the year	**(3,320,437)**	(23,332)

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	*2009* *KD*	*(Restated)* *2008* *KD*
ASSETS			
Non-current assets			
Property, plant and equipment	9	**8,797,948**	10,007,649
Financial assets available for sale	10	**575,906**	569,406
Intangible assets	11	**877,416**	596,770
		10,251,270	11,173,825
Current assets			
Inventories	12	**4,915,343**	8,578,774
Accounts receivable and others assets	13	**3,706,624**	6,286,936
Financial assets carried at fair value through income statement	14	**195,377**	284,637
Bank balances and cash	15	**3,871,867**	406,546
		12,689,211	15,556,893
TOTAL ASSETS		**22,940,481**	26,730,718
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**8,514,108**	8,514,108
Statutory reserve	17	**4,824,285**	4,824,285
Voluntary reserve	18	**4,728,317**	4,728,317
Treasury shares	19	**(309,013)**	(309,013)
Treasury shares reserve	19	**146,899**	146,899
Cumulative changes in fair values		**6,500**	(5,857)
(Accumulated losses) retained earnings		**(125,048)**	3,207,746
Total equity		**17,786,048**	21,106,485
Non-current liabilities			
Employees' end of service benefits	20	**704,414**	708,140
Current liabilities			
Due to banks	15	**-**	180,163
Accounts payable and accruals	21	**4,450,019**	4,735,930
		4,450,019	4,916,093
Total liabilities		**5,154,433**	5,624,233
TOTAL EQUITY AND LIABILITIES		**22,940,481**	26,730,718

Sheikha Intisar Salem Al Sabah
Chairperson and Managing Director

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Notes	2009 KD	(Restated) 2008 KD
OPERATING ACTIVITIES			
Loss for the year before contribution to KFAS, NLST, Zakat and directors' remuneration		**(3,332,794)**	(125,545)
Non-cash adjustments to reconcile loss for the year before contribution to KFAS, NLST, Zakat and directors' remuneration to net cash flows:			
Investment income	5	**(54,815)**	(152,249)
Loss (gain) on sale of property, plant and equipment		**40,976**	(25,641)
Depreciation	9	**881,768**	881,493
Amortization	11	**219,354**	-
Impairment of financial assets available for sale		**-**	375,133
Provision for doubtful debts	13	**1,295,456**	-
Provision for slow moving and obsolete items		**1,144,284**	-
Provision for employees' end of service benefits	20	**76,827**	116,794
Interest income		**(34,572)**	(179,228)
		236,484	890,757
Working capital adjustments:			
Inventories		**2,519,147**	(2,815,494)
Accounts receivable and others assets		**1,284,856**	(2,262,858)
Accounts payable and accruals		**37,563**	2,908,180
Due from related party		**-**	2,500,000
		4,078,050	1,220,585
Employees' end of service benefits paid	20	**(80,553)**	(57,904)
Net cash flows from operating activities		**3,997,497**	1,162,681
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	**(295,144)**	(320,333)
Proceeds from sale of property, plant and equipment		**82,101**	57,780
Purchase of intangible assets	11	**-**	(350,770)
Purchase of financial assets available for sale		**-**	(26,600)
Proceeds from sale of financial assets available for sale		**5,857**	24,636
Proceeds from sale of financial assets carried at fair value through income statement		**75,830**	3,714
Interest income received		**34,572**	179,228
Dividend income received	5	**68,245**	156,041
Net cash flows used in investing activities		**(28,539)**	(276,304)
FINANCING ACTIVITIES			
Purchase of treasury shares		**-**	(312,713)
Proceeds from sale of treasury shares		**-**	3,611
Dividend paid		**(8,258)**	(1,189,380)
Restricted bank accounts	15	**(306,958)**	(315,216)
Net cash flows used in financing activities		**(315,216)**	(1,813,698)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**3,653,742**	(927,321)
Cash and cash equivalents at 1 January		**(88,833)**	838,488
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	15	**3,564,909**	(88,833)

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Cumulative changes in fair values KD*	*(Accumulated losses) retained earnings KD*	*Total equity KD*
Balance at 1 January 2009 (as previously stated)	8,514,108	4,824,285	4,728,317	(309,013)	146,899	(380,990)	3,582,879	21,106,485
Prior year adjustment (Note 29)	-	-	-	-	-	375,133	(375,133)	-
Balance at 1 January 2009 (restated)	8,514,108	4,824,285	4,728,317	(309,013)	146,899	(5,857)	3,207,746	21,106,485
Loss for the year	-	-	-	-	-	-	(3,332,794)	(3,332,794)
Other comprehensive income for the year	-	-	-	-	-	12,357	-	12,357
Total comprehensive income (loss) for the year	-	-	-	-	-	12,357	(3,332,794)	(3,320,437)
Balance at 31 December 2009	**8,514,108**	**4,824,285**	**4,728,317**	**(309,013)**	**146,899**	**6,500**	**(125,048)**	**17,786,048**
Balance at 1 January 2008 (as previously stated)	7,740,098	4,824,285	4,728,317	-	146,988	(139,302)	5,299,547	22,599,933
Loss for the year (restated) (Note 29)	-	-	-	-	-	-	(156,777)	(156,777)
Other comprehensive income for the year (restated) (Note 29)	-	-	-	-	-	133,445	-	133,445
Total comprehensive income (loss) for the year (restated)	-	-	-	-	-	133,445	(156,777)	(23,332)
Purchase of treasury shares	-	-	-	(312,713)	-	-	-	(312,713)
Sale of treasury shares	-	-	-	3,700	(89)	-	-	3,611
Issue of bonus shares	774,010	-	-	-	-	-	(774,010)	-
Dividends (Note 22)	-	-	-	-	-	-	(1,161,014)	(1,161,014)
Balance at 31 December 2008 (restated)	8,514,108	4,824,285	4,728,317	(309,013)	146,899	(5,857)	3,207,746	21,106,485

The attached notes 1 to 29 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

Refrigeration Industries & Storage Company K.S.C. (the "Parent Company") is a Kuwaiti shareholding company listed on the Kuwait Stock Exchange and incorporated on 8 March 1973 in accordance with the Kuwait Commercial Companies Law.

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

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

The principal activities of the Group is the 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 consolidated financial statements for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 17 March 2010. The annual general assembly of the shareholders of the Group has the power to amend these consolidated financial statements after issuance.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets available for sale and financial assets carried at fair value through income statement that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is also the functional currency of the Parent Company.

2.1 Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2.2 Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2009.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Details of the subsidiary are as follows:

Name of subsidiary	*Ownership and % of voting power 31 December 2009*	*31 December 2008*	*Principal activities*	*Country of incorporation*
Coolex General Trading and Contracting Company W.L.L	100%	100%	Dormant	Kuwait

2 BASIS OF PREPARATION (continued)

2.3 Changes in accounting policy and disclosures (continued)
The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new applicable and amended International Financial Reporting Standards (IFRS) new and amended IASB Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations during the year:

- IFRS 7: Financial Instruments: Disclosures *(Amended)*
- IFRS 8: Operating Segments
- IAS 1: Presentation of Financial Statements *(Revised)*
- IAS 16: Property, plant and equipment *(Amended)*
- IAS 19: Employee benefits *(Amended)*
- IAS 32: Financial instruments: Presentation *(Amended)*
- IAS 36: Impairment of assets *(Amended)*
- IAS 38: Intangible assets *(Amended)*
- IAS 39: Financial instruments: recognition and measurement *(Amended)*

Following are the major changes:

IAS 1 Presentation of Financial Statements (Revised):
The revised standard separates owner and non owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IFRS 8 Operating segments:
The new standard which replaced IAS 14: Segment reporting requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in the segments being reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are not significantly impacted by the amendments and are presented in Note 25.

IFRS 7 Financial Instruments: Disclosures
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The fair value measurement disclosures are presented in Note 26. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 27.

Improvements to IFRSs
In May 2008 and April 2009 the IASB issued amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

IAS 16 Property, Plant and Equipment: Replaces the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

2 BASIS OF PREPARATION (continued)

2.3 Changes in accounting policy and disclosures (continued)
IAS 36 Impairment of Assets: When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment had no immediate impact on the consolidated financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using 'value in use'.

IAS 38 Intangible Assets: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.

Other amendments resulting from "Improvements to IFRSs" did not have any impact on the accounting policies, financial position or performance of the Group.

2.4 Standards issued but not yet effective

- IFRS 3R Business Combinations (effective 1 July 2009)
- IFRS 5: Noncurrent assets held for sale and discontinued operations (effective 1 July 2009)
- IFRS 9: Financial Instruments: Classification and Measurement (effective 1 January 2013)
- IAS 24: Related Party Disclosures (effective 1 January 2011)
- IAS 27R: Consolidated and Separate Financial Statements (effective 1 July 2009)
- IAS 28: Investments in Associates Revised (effective 1 July 2009)
- IAS 39: Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective 1 July 2009)
- IFRIC 9: Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009)
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation (effective 1 October 2009)
- IFRIC 17: Distributions of Non-cash Assets to Owners (effective 1 July 2009)
- IFRIC Interpretation 18: Transfers of Assets from Customers (effective 1 July 2009)

Following are the major changes:

IFRS 3R Business Combinations
IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after effective date. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 will replace IAS 32 and IAS 39 upon its effective date. The application of IFRS 9 will result in amendments to the classification and measurement of financial assets and liabilities of the consolidated financial statements of the Group. The amendments will be made in the consolidated financial statements when the standard becomes effective.

IAS 27R Consolidated and separate financial statements
IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

IAS 24 *Related party (Revised)*
The revised Standard was issued in November 2009. An entity shall apply this Standard retrospectively for annual periods beginning on or after 1 January 2011. The revised standard simplifies the definition of a related party.

2 BASIS OF PREPARATION (continued)

Adoption of other Standards and Interpretations will not have any effect on the financial performance, position or the consolidated financial statements of the Group. Additional disclosures will be made in the consolidated financial statements when these standards and interpretations become effective.

3 SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria are also followed before revenue is recognised:

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 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 expenses incurred are eligible to be recovered.

Maintenance revenue is recognised upon performance of services.

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

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

Interest income is recognised as interest accrues using the effective interest method, that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Kuwait Foundation for the Advancement of Sciences (KFAS)
The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)
The Parent Company calculated the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per the Law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST is deducted from the profit for the year.

Zakat
Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses, if any. Depreciation is calculated on a straight line basis over the estimated useful lives on all property, plant and equipment, except land 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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
An item of property, plant and equipment 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 statement of income in the year the asset is derecognised.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

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

Financial assets and liabilities
Financial assets and liabilities are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not at fair value through consolidated statement of income, directly attributable transaction costs. Transaction costs on financial assets and financial liabilities at fair value through consolidated statement of income are expensed immediately, while on other debt instruments they are amortised.

Financial assets
The Group classifies its financial assets as "financial assets at fair value through income statement", "financial assets available for sale" and "trade receivables". The Group determines the classification of financial assets at initial recognition.

A regular way purchase of financial assets is recognised using the trade date accounting.

Financial assets at fair value through consolidated statement of income
A financial asset at fair value through consolidated statement of income includes financial assets held for trading and financial assets designated upon initial recognition at fair value through consolidated statement of income. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognised in consolidated statement of income. Financial assets are designated at fair value through consolidated statement of income if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy.

After initial recognition, financial assets at fair value through consolidated statement of income are remeasured at fair value with all changes in fair value recognised in the consolidated statement of income.

Trade receivables
Trade receivables are measure at initial recognition at fair value, less any impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated statement of income when there is objective evidence that the asset is impaired.

Financial assets available for sale
Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as financial assets at fair value through consolidated statement of income or loans and receivables.

After initial recognition, financial assets available for sale are measured at fair value with gains and losses being recognised as a separate component of equity until the financial assets are derecognised or until the financial assets are determined to be impaired at which time the cumulative gain and loss previously reported in consolidated statement of comprehensive income is recognised in the consolidated statement of income. Financial assets whose fair value cannot be reliably measured are carried at cost.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Fair value
The fair value of financial assets and liabilities traded in recognised financial markets is determined by reference to their quoted market bid price at the close of business on the reporting date. For all other financial assets or liabilities where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current fair value of another instrument that is substantially the same, recent arm's length market transactions or discounted cash flow analysis or other valuation models.

Derecognition
Financial assets
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; or
- 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; or
- the Group has transferred substantially all the risks and rewards of the asset, or
- 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, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. 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 statement of income.

The Group's financial liabilities include accounts payable and accruals and bank overdraft.

Offsetting
Financial assets and liabilities are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets
An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be 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 (or events) 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 borrower or a group of borrowers 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 economic conditions that correlate with defaults. If such evidence exists, an impairment loss is recognised in the consolidated statement of income.

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 fair value, impairment is the difference between cost and fair value
- 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)
For non equity financial assets the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of income.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. In addition, a provision is made to cover impairment for specific groups of assets where there is a measurable decrease in estimated future cash flows.

Financial assets available for sale
For financial assets available for sale, the Group assesses at each reporting date whether there is objective evidence that a financial assets available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on those financial assets available for sale previously recognised in the income statement - is removed from equity and recognised in the consolidated statement of income.

Reversal of impairment losses is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal of impairment losses are recognised in the consolidated statement of income except for financial assets available for sale equity investments which are recognised in the cumulative changes in fair values.

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

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are 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 are reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in consolidated statement of income in the expense category consistent with the function of the intangible asset.

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

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances, short term deposits and cash net of outstanding bank overdrafts.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 reissued, 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 stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

With respect to its national employees, the Group makes contributions to social security scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Leases - where the Group is the lessee
Leases of assets under which the lessor effectively retains all the risks and benefits of ownership are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Contingencies
Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated statement of financial position, but are disclosed when an inflow of economic benefits is probable.

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 statement of income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity. 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.

Significant accounting judgments, estimates and assumptions
The preparation of the 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 reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions (continued)
The most significant use of judgements and estimates are as follows:

Classification of financial instruments
Judgements are made in the classification of financial instruments based on management's intention at acquisition.

Impairment of financial assets available for sale
The Group treats financial assets available for sale 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 judgement.

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same; or
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

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

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

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

4 REVENUES

	2009	*2008*
	KD	*KD*
Contract revenues	**5,701,795**	5,702,011
Manufacturing revenues	**2,173,022**	3,325,871
Maintenance and spare parts revenues	**1,229,076**	1,164,962
Storage revenues	**3,451,149**	3,722,553
	12,555,042	13,915,397

5 INVESTMENT INCOME

	2009 *KD*	*2008* *KD*
Unrealised loss on financial assets carried at fair value through income statement (Note 14)	**(8,797)**	(3,792)
Realised loss on financial assets carried at fair value through income Statement	**(4,633)**	-
Dividend income	**68,245**	156,041
	54,815	152,249

6 GENERAL AND ADMINISTRATIVE EXPENSES

	2009 *KD*	*2008* *KD*
Salaries and related costs	**510,377**	760,461
Depreciation (Note 9)	**245,683**	160,368
Amortization (Note 11)	**219,354**	-
Other operating expenses	**664,784**	183,520
	1,640,198	1,104,349

7 DIRECTORS' REMUNERATION

The board of directors of the Parent Company has not proposed any directors' remuneration for the year ended 31 December 2009. However, in the prior year, the shareholders have approved the directors' remuneration of KD 20,000 for the year ended 31 December 2008 in the Annual General Meeting held on 17 May 2009.

8 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share is computed by dividing the loss for the year by the weighted average number of shares outstanding during the year less weighted average number of treasury shares, as follows:

	2009 *KD*	*(Restated)* *2008* *KD*
Loss for the year	**(3,332,794)**	(156,777)
	Shares	*Shares*
Weighted average number of shares outstanding	**85,141,078**	85,141,078
Weighted average number of treasury shares	**(840,000)**	(487,875)
Weighted average number of shares for basic and diluted loss per share	**84,301,078**	84,653,203
Basic and diluted loss per share	**(39.53) fils**	(1.85) fils

9 PROPERTY, PLANT AND EQUIPMENT

	Land *KD*	*Buildings* *KD*	*Machinery and plant* *KD*	*Tools and equipment* *KD*	*Generators and electrical appliances* *KD*	*Furniture and office equipment* *KD*	*Motor vehicles* *KD*	*Capital work in-progress* *KD*	*Total* *KD*
Cost or valuation									
At 1 January 2008	3,165,582	9,288,676	1,758,630	685,974	1,961,086	1,292,597	5,393,634	245,322	23,791,501
Additions	-	7,703	7,298	16,014	2,255	46,069	23,729	217,265	320,333
Transfers	-	61,075	46,380	-	-	39,551	-	(147,006)	-
Disposals	-	-	-	-	(8,400)	-	(98,331)	-	(106,731)
At 1 January 2009	3,165,582	9,357,454	1,812,308	701,988	1,954,941	1,378,217	5,319,032	315,581	24,005,103
Additions	-	157,113	8,272	3,475	37,155	16,136	72,993	-	295,144
Transfers (Note 11)	(413,922)	212,915	-	-	-	-	-	(298,993)	(500,000)
Disposals	-	-	-	-	-	-	(216,830)	-	(216,830)
At 31 December 2009	2,751,660	9,727,482	1,820,580	705,463	1,992,096	1,394,353	5,175,195	16,588	23,583,417
Accumulated depreciation									
At 1 January 2008	-	6,902,601	1,152,989	662,830	1,699,442	973,871	1,798,820	-	13,190,553
Charge for the year	-	149,310	72,913	12,896	20,109	100,989	525,276	-	881,493
Disposals	-	-	-	-	(8,400)	-	(66,192)	-	(74,592)
At 1 January 2009	-	7,051,911	1,225,902	675,726	1,711,151	1,074,860	2,257,904	-	13,997,454
Charge for the year	-	182,364	74,536	12,965	15,149	141,061	455,693	-	881,768
Disposals	-	-	-	-	-	-	(93,753)	-	(93,753)
At 31 December 2009	-	7,234,275	1,300,438	688,691	1,726,300	1,215,921	2,619,844	-	14,785,469
Carrying amount									
At 31 December 2009	2,751,660	2,493,207	520,142	16,772	265,796	178,432	2,555,351	16,588	8,797,948
At 31 December 2008	3,165,582	2,305,543	586,406	26,262	243,790	303,357	3,061,128	315,581	10,007,649

9 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation is allocated as follows:

	2009 *KD*	*2008* *KD*
Operating costs	**636,085**	721,125
General administrative expenses (Note 6)	**245,683**	160,368
	881,768	881,493

10 FINANCIAL ASSETS AVAILABLE FOR SALE

	2009 *KD*	*2008* *KD*
Unquoted equity securities	**10,741**	10,741
Investment in equity funds	**565,165**	558,665
	575,906	569,406

At 31 December 2009, certain financial assets available for sale amounting to KD 10,741 (31 December 2008: KD 10,741) were carried at cost due to non availability of reliable measures of their fair values. The management believes there is no further impairment in value.

11 INTANGIBLE ASSETS

	2009 *KD*	*2008* *KD*
Opening balance	**596,770**	246,000
Transfer (Note 9)	**500,000**	350,770
Charge for the year	**(219,354)**	-
Closing balance	**877,416**	596,770

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

12 INVENTORIES

	2009 *KD*	*2008* *KD*
Raw materials	**4,342,316**	5,009,142
Finished goods	**1,085,517**	2,154,094
Spare parts	**672,415**	479,231
Work in progress	**135,823**	938,942
Goods in transit	**25,022**	198,831
	6,261,093	8,780,240
Provision for slow moving and obsolete items	**(1,345,750)**	(201,466)
	4,915,343	8,578,774

13 ACCOUNTS RECEIVABLE AND OTHERS ASSETS

	2009 *KD*	*2008* *KD*
Trade receivables	**3,891,688**	6,332,937
Cheques under collection	**214,247**	369,646
Less: provision for doubtful debts	**(1,933,532)**	(761,781)
	2,172,403	5,940,802
Unbilled revenue	**1,296,018**	-
Advance to suppliers	**126,199**	144,921
Prepaid expenses	**53,368**	36,321
Accrued income	**-**	58,100
Refundable deposits	**17,312**	30,351
Other receivable	**41,324**	76,441
	3,706,624	6,286,936

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

At 31 December 2009, trade receivables balance amounting to KD 2,157,524 (31 December 2008: KD 1,203,659) were not impaired.

Included in the Group's trade receivables balance are debtors with a carrying amount of KD 1,213,887 (31 December 2008: KD 4,367,497) which are past due above 90 days at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of past due but not impaired:

	2009 *KD*	*2008* *KD*
90 - 180 days	**346,393**	758,507
180 – 360 days	**181,317**	581,325
Above 360 days	**686,177**	3,027,665
Total	**1,213,887**	4,367,497

Movement in allowance for doubtful debts:

	2009 *KD*	*2008* *KD*
Opening balance	**761,781**	1,211,175
Charged for the year	**1,295,456**	-
Written off during the year	**(123,705)**	(449,394)
Closing balance	**1,933,532**	761,781

Ageing of impaired trade receivables:

	2009 *KD*	*2008* *KD*
Above 360 days	**1,933,532**	761,781

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	2009 *KD*	*2008* *KD*
Held for trading – (money market instruments)	**195,377**	284,637

The Group has recognised unrealised loss of KD 8,797 (31 December 2008: loss of KD 3,792). The unquoted fund investments are carried at net asset value provided by the investment manager.

15 CASH AND CASH EQUIVALENTS

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

	2009 *KD*	*2008* *KD*
Bank balances and cash	**3,871,867**	406,546
Less: balances in restricted bank accounts	**(306,958)**	(315,216)
	3,564,909	91,330
Less: due to banks	-	(180,163)
	3,564,909	(88,833)

These amounts are blocked due to unpaid dividends.

16 SHARE CAPITAL

Share capital consists of 85,141,078 authorised, issued and fully paid up shares (31 December 2008: 85,141,078) of 100 fils each.

17 STATUTORY RESERVE

In accordance with the Commercial Companies Law and the Parent Company's articles of association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and directors' remuneration is to be transferred annually to statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve totals 50% of paid-up share capital. No transfer has been made to the statutory reserve, since losses have been incurred during the year.

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 accumulated profits are not sufficient for the payment of a dividend of that amount.

18 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 to be transferred annually to the voluntary reserve. There are no restrictions on distributions from general reserve. No transfer has been made to the voluntary reserve, since losses have been incurred during the year.

19 TREASURY SHARES AND TREASURY SHARE RESERVE

	2009 *KD*	*2008* *KD*
Number of own shares	**840,000**	840,000
Percentage of issued shares	**1%**	1%
Book value	**309,013**	309,013
Market value	**222,600**	193,200

Treasury share reserve

Reserves equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable in the Parent Company.

20 EMPLOYEES' END OF SERVICE BENEFITS

	2009 *KD*	*2008* *KD*
Opening balance	**708,140**	649,250
Charged during the year	**76,827**	116,794
Paid during the year	**(80,553)**	(57,904)
Closing balance	**704,414**	708,140

21 ACCOUNTS PAYABLES AND ACCRUALS

	2009 *KD*	*2008* *KD*
Trade payables	**1,107,379**	1,809,638
Advance payments from customers	**1,796,598**	2,205,545
Accrued expenses	**862,561**	16,144
Dividends payable	**306,958**	315,216
Revenues received in advance	**121,456**	103,207
Provision for staff leave	**253,221**	206,500
Provisions for contribution to KFAS, NLST and Zakat	-	51,356
Directors' remuneration	-	20,000
Other payables	**1,846**	8,324
	4,450,019	4,735,930

22 DIVIDENDS

The board of directors of the Parent Company has not proposed any dividends for the year ended 31 December 2009 which is subject to the approval of the shareholders in the annual general assembly.

The annual general assembly of the shareholders of the Parent Company in respect of the year ended 31 December 2008 was held on 17 May 2009.

The shareholders of the Parent Company resolved not to distribute dividends for the year ended 31 December 2008 (31 December 2007: cash dividend of 15 fils per share and bonus shares of 10%).

23 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Key management compensation

	2009 *KD*	*2008* *KD*
Salaries and other short-term benefits	**60,000**	72,000
Employees' end of service benefits	**8,300**	13,800
	68,300	85,800

24 COMMITMENTS AND CONTINGENCIES

Credit-related commitments
In the ordinary course of business, the Group has credit-related commitments which include commitments to extend credit, standby letters of credit and guarantees. The Group has the following credit related commitments.

	2009 *KD*	*2008* *KD*
Letters of credit	**415,000**	-
Performance guarantee	**2,151,281**	1,914,204
	2,566,281	1,914,204

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

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 SEGMENT INFORMATION

For the purposes of segment reporting, the Group's management has classified its activities under the following reportable segments:

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

31 December 2009	***Contracting and manufacturing division KD***	***Storage division KD***	***Unallocated KD***	***Total KD***
Operating income	**9,103,893**	**3,061,489**	**389,660**	**12,555,042**
Segment results	**(832,224)**	**1,199,551**	**(3,727,870)**	**(3,366,543)**
Investment and other operating income				**33,749**
Loss for the year				**(3,332,794)**
Assets	**15,403,129**	**3,529,511**	**4,007,841**	**22,940,481**
Liabilities	**4,329,345**	**758,054**	**67,034**	**5,154,433**

31 December 2008	*Contracting & manufacturing division KD*	*Storage division KD*	*Unallocated KD*	*Total KD*
Operating income	10,192,843	3,722,554	-	13,915,397
Segment results	(745,320)	1,640,051	(1,104,349)	(209,618)
Investment and other operating income				84,073
Other expenses				(31,232)
Loss for the year				(156,777)
Assets	16,202,771	4,369,840	6,158,107	26,730,718
Liabilities	4,852,265	233,686	538,282	5,624,233

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The estimated fair values of financial assets, except for certain unquoted equity instruments classified as financial assets available for sale (Note 10), approximated their respective net book values at the reporting date.

26 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs that have a significant effect on the recorded fair value are not based on observable market data.

As at 31 December 2009, the Group held the following financial instruments measured at fair value.

31 December 2009	*Level : 1*	*Level : 2*	*Level : 3*	*Total*
	KD	*KD*	*KD*	*KD*
Financial assets at fair value through income statement:				
Equities	**168**	-	-	**168**
Funds	**195,209**	-	-	**195,209**
Financial assets available for sale:				
Funds	-	-	**565,165**	**565,165**
	195,377	-	**565,165**	**760,542**

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 latter being subdivided into interest rate risk, currency risk, and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the Group's strategic planning process.

27.1 CREDIT RISK

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group is exposed to credit risk on accounts receivable and other assets and bank balances and cash. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and to monitor on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Group has policies to limit the amount of credit exposure to any financial institution. The maximum credit risk is limited to amounts appearing on the statement of financial position.

The Group is exposed to gross maximum exposure to credit risk across the financial assets as follows:

	2009	*2008*
	KD	*KD*
Accounts receivable and other assets	**2,172,403**	5,940,802
Bank balances and cash	**3,564,909**	91,330
	5,737,312	6,032,132

27 RISK MANAGEMENT (continued)

27.1 CREDIT RISK (continued)

The exposures set above are based on net carrying amounts as reported in the statement of financial position.

The credit concentration risk arising out of large receivables from few customers is minimal due the nature of the industry in which the Group operates being manufacturing industry where majority of the sales affected are on cash basis.

27.2 LIQUIDITY RISK

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. The Group has procedures with the object of minimising such losses 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 maturity profile is monitored by Group's management to ensure adequate liquidity is maintained. The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2009, based on contractual/expected payment dates.

31 December 2009	***Within 1 month KD***	***Within 2 to 3 months KD***	***3 to 12 months KD***	***1 to 5 years KD***	***Total KD***
Account payable and other accruals	**497,951**	**918,232**	**1,237,238**	**1,796,598**	**4,450,019**
Employees' end of service benefits	**-**	**-**	**-**	**704,414**	**704,414**
TOTAL LIABILITIES	**497,951**	**918,232**	**1,237,238**	**2,501,012**	**5,154,433**
Commitments	**23,000**	**21,800**	**2,172,237**	**349,244**	**2,566,281**

31 December 2008	*Within 1 month KD*	*Within 2 to 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Bank overdrafts	180,163	-	-	-	180,163
Account payable and other accruals	315,282	1,889,252	325,851	2,205,545	4,735,930
Employees' end of service benefits	-	-	-	708,140	708,140
TOTAL LIABILITIES	495,445	1,889,252	325,851	2,913,685	5,624,233
Commitments	40,000	37,500	1,490,271	346,433	1,914,204

27.3 MARKET RISK

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates and equity prices whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

27 RISK MANAGEMENT (continued)

27.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to material interest rate risk.

27.3.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not exposed to any significant currency risk since the Group's assets and liabilities are not denominated in foreign currency.

27.3.3 Equity price risk

Equity price risk arises from changes in the fair values of equity investments. The equity price risk exposure arises from the Group's investment portfolio. The Group is not exposed to material equity price risk.

28 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 2009 and 31 December 2008. Shareholders equity comprises share capital, reserves and (accumulated losses) retained earnings are measured at KD 17,786,048 as at 31 December 2009 (31 December 2008 (restated): KD 21,106,485).

29 COMPARATIVE INFORMATION

During the year 2008 certain financial assets available for sale experienced significant decline which was wrongly recorded as cumulative changes in fair values in equity. During the year 2009, the Parent Company agreed to record the impairment in the consolidated statement of income. Accordingly the comparative figures are restated.

The result of above restatement is a decrease in the profit for the year ended 31 December 2008 by KD 375,133. The effect on loss per share and diluted loss per share related to the restatement in 2008 was less than 5 fils.