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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010

ERNST & YOUNG

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Refrigeration Industries and Storage Company K.S.C. (the "Parent Company") and its subsidiary (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

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 Parent Company's 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 Parent Company's Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, or of the Parent Company's Articles of Association, have occurred during the year ended 31 December 2010 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

28 March 2011

Kuwait

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	***2010*** ***KD***	*2009* *KD*
Revenues	4	**12,844,794**	12,555,042
Cost of revenues		**(10,028,521)**	(11,841,647)
Gross profit		**2,816,273**	713,395
Provision for old and obsolete inventories		-	(1,144,284)
Write-back of provision for old and obsolete inventories		**297,428**	-
Impairment of receivables		**(27,874)**	(1,295,456)
Write-back of impairment of receivables	12	**24,064**	-
Administrative expenses	6	**(1,728,394)**	(1,640,198)
Investment (loss)/gain	5	**(86,818)**	54,815
Interest income		**20,409**	34,572
Other operating income		**541**	1,462
Loss on sale of property, plant and equipment		**(209,082)**	(40,976)
Foreign exchange loss		**(8,598)**	(16,124)
PROFIT/(LOSS) BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST"), ZAKAT AND DIRECTORS' REMUNERATION		**1,097,949**	(3,332,794)
Contribution to KFAS		**(4,609)**	-
NLST		**(11,521)**	-
Zakat		**(4,608)**	-
Directors' remuneration		**(10,000)**	-
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO THE PARENT COMPANY		**1,067,211**	(3,332,794)
BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE PARENT COMPANY	7	**12.7 fils**	(39.53) fils

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Note	*2010* KD	*2009* KD
Profit/(loss) for the year		**1,067,211**	(3,332,794)
Other comprehensive income			
Change in fair values of financial assets available-for-sale		**(7,432)**	12,357
Realised gain on sale of financial assets available-for-sale		**(29,494)**	-
Impairment of financial assets available-for-sale	5	**55,881**	-
Other comprehensive income for the year		**18,955**	12,357
Total comprehensive income/(loss) for the year		**1,086,166**	(3,320,437)

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	***2010*** ***KD***	*2009* *KD*
ASSETS			
Non-current assets			
Property, plant and equipment	8	**7,585,807**	8,797,948
Intangible assets	9	**658,062**	877,416
Financial assets available-for-sale	10	**459,729**	575,906
		8,703,598	10,251,270
Current assets			
Inventories	11	**5,883,147**	4,915,343
Accounts receivable and other assets	12	**4,220,004**	3,706,624
Financial assets at fair value through income statement	13	**128,931**	195,377
Bank balances and cash	14	**3,812,966**	3,871,867
		14,045,048	12,689,211
TOTAL ASSETS		**22,748,646**	22,940,481
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**8,514,108**	8,514,108
Statutory reserve	16	**4,824,285**	4,824,285
Voluntary reserve	16	**4,728,317**	4,728,317
Treasury shares	17	**(309,013)**	(309,013)
Treasury shares reserve	17	**146,899**	146,899
Cumulative changes in fair values		**25,455**	6,500
Retained earnings (accumulated losses)		**942,163**	(125,048)
Total equity		**18,872,214**	17,786,048
Non-current liabilities			
Employees' end of service benefits	18	**697,901**	704,414
Current liabilities			
Accounts payable and accruals	19	**3,178,531**	4,450,019
Total liabilities		**3,876,432**	5,154,433
TOTAL EQUITY AND LIABILITIES		**22,748,646**	22,940,481

Sheikha Intisar Salem Al Sabah
Chairperson and Managing Director

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	*2010* *KD*	*2009* *KD*
OPERATING ACTIVITIES			
Profit/(loss) for the year		**1,067,211**	(3,332,794)
Adjustments for:			
Depreciation	8	**743,230**	881,768
Impairment loss on property, plant and equipment	8	**60,376**	-
Amortization	9	**219,354**	219,354
Provision for employees' end of service benefits	18	**205,724**	76,827
Provision for old and obsolete inventories		**-**	1,144,284
Write-back of provision for old and obsolete inventories		**(297,428)**	-
Impairment of receivables		**27,874**	1,295,456
Write-back of provision for doubtful debts	12	**(24,064)**	-
Unrealised loss on financial assets at fair value through income statement	5	**59,924**	8,797
Realised gain on financial assets available-for-sale	5	**(29,494)**	-
Impairment loss on financial assets available-for-sale	5	**55,881**	-
Loss on sale of property, plant and equipment		**209,082**	40,976
Interest income		**(20,409)**	(34,572)
Dividend income	5	**-**	(68,245)
Foreign exchange loss		**8,598**	16,124
		2,285,859	247,975
Working capital changes:			
Inventories		**(670,376)**	2,519,147
Accounts receivable and other assets		**(517,190)**	1,284,856
Accounts payable and accruals		**(1,273,248)**	(285,519)
Cash flows (used in)/from operating activities		**(174,955)**	3,766,459
Employees' end of service benefits paid	18	**(212,237)**	(80,553)
Net cash flows (used in)/from operating activities		**(387,192)**	3,685,906
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	**(118,598)**	(295,144)
Proceeds from sale of property, plant and equipment		**318,051**	82,101
Proceeds from sale of financial assets available-for-sale		**108,745**	5,857
Financial assets at fair value through income statement		**6,522**	80,463
Interest received		**20,409**	34,572
Dividends received		**-**	68,245
Net cash flows from /(used in) investing activities		**335,129**	(23,906)
FINANCING ACTIVITIES			
Dividend paid		**(3,419)**	(8,258)
Net cash flows used in financing activities		**(3,419)**	(8,258)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(55,482)**	3,653,742
Cash and cash equivalents at 1 January		**3,564,909**	(88,833)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	**3,509,427**	3,564,909

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Cumulative changes in fair values KD*	*Retained earnings (accumulated losses) KD*	*Total equity KD*
As at 1 January 2010	8,514,108	4,824,285	4,728,317	(309,013)	146,899	6,500	(125,048)	17,786,048
Profit for the year	-	-	-	-	-	-	1,067,211	1,067,211
Other comprehensive income	-	-	-	-	-	18,955	-	18,955
Total comprehensive income for the year	-	-	-	-	-	18,955	1,067,211	1,086,166
At 31 December 2010	**8,514,108**	**4,824,285**	**4,728,317**	**(309,013)**	**146,899**	**25,455**	**942,163**	**18,872,214**
As 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	-	-	-	-	-	375,133	(375,133)	-
As 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	-	-	-	-	-	12,357	-	12,357
Total comprehensive income (loss) for the year	-	-	-	-	-	12,357	(3,332,794)	(3,320,437)
At 31 December 2009	8,514,108	4,824,285	4,728,317	(309,013)	146,899	6,500	(125,048)	17,786,048

The attached notes 1 to 26 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Refrigeration Industries and Storage Company K.S.C. (the "Parent Company") and its subsidiary (collectively, the "Group") for the year ended 31 December 2010 were authorised for issue by the Parent Company's board of directors on 28 March 2011. The annual general meeting of the shareholders have the power to amend these consolidated financial statements after issuance.

The Parent Company is a Kuwaiti shareholding company incorporated on 8 March 1973 in accordance with the Kuwait Commercial Companies Law, and is engaged in owning and leasing of cold storage warehouses, manufacturing, installing and maintaining air conditioning systems, and investing surplus funds through investment portfolio managed by specialised investment management companies. The Parent Company's shares were listed on Kuwait Stock Exchange on 29 September 1984 and its registered office is P.O. Box 22261, Safat 13083, State of Kuwait.

2.1 BASIS OF PREPARATION

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) and applicable requirements of Ministerial Order No. 18 of 1990.

The consolidated financial statements have been prepared on a historical cost basis, except for the measurement at fair value of financial assets at fair value through income statement and financial assets available-for-sale. The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is also the Parent Company's functional and presentation currency.

Basis of consolidation

Basis of consolidation from 1 January 2010
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2010.

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 when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. The financial statements of subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

Basis of consolidation prior to 1 January 2010
In comparison to the above mentioned requirements which were applied on a prospective basis, the following differences applied:

- Acquisitions of non-controlling interests were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Basis of consolidation prior to 1 January 2010 (continued)

- Losses incurred by the Group were attributed to the non-controlling interests until the balance was reduced to nil. Any further excess losses were attributed to the Parent Company, unless the non-controlling interests had a binding obligation to cover these.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

Details of the subsidiary are as follows:

	Ownership and % of voting power			
Name of subsidiary	***2010***	*2009*	***Principal activities***	***Country of incorporation***
Coolex General Trading and Contracting Company W.L.L	100%	100%	Dormant	Kuwait

2.2 CHANGES IN ACCOUNTING POLICIES

The significant accounting policies used in preparation of the consolidated financial statements are consistent with those used in the previous financial year except as noted below:

During the year, the Group has adopted the following amended standards effective for the annual periods beginning on or after 1 January 2010:

- IFRS 3 (Revised) – Business Combinations and consequential amendments to IAS 27 effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IFRIC Interpretation 17: Distributions of non-cash assets to owners *(effective for the period beginning on or after 1 July 2009)*

IFRS 3 (Revised) – Business Combinations and consequential amendments to *IAS 27 – Consolidated and Separate Financial Statements*. The main changes in the Group's accounting policies are as follows:

- Acquisition related costs are expensed in the consolidated statement of income in the periods in which the costs are incurred;
- Changes in ownership interest in a subsidiary that do not result in a loss of control are treated as transaction between equity holders and are accounted for within equity; and
- Equity interest held prior to control being obtained is remeasured to fair value at the date of obtaining control, any resulting gain or loss is recognised in the consolidated income statement.

IFRIC Interpretation 17: Distribution of Non-cash Assets to Owners
This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either the financial position or performance of the Group.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

New and revised IASB Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations relevant to the Group, issued, but not yet effective

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

- IFRS 9: Financial Instruments: Classification and Measurement *(effective for annual periods beginning on or after 1 January 2013)*
- IAS 24 (Revised 2009) Related Party Disclosures *(effective for the period beginning on or after 1 January 2011)*

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IAS 24 Related Party Disclosures (Amendment)
The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The Group does not expect any impact on its financial position or performance.

Improvements to IFRSs
The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below:

- IFRS 3 *Business Combinations*
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Presentation of Financial Statements*
- IAS 27 *Consolidated and Separate Financial Statements*
- IFRIC 13 *Customer Loyalty Programmes.*

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

Adoption of other IASB Standards and IFRIC Interpretations will not have material 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The following specific recognition criteria are also followed before revenue is recognised:

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

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

Rendering of services
Maintenance revenue is recognised upon performance of services.

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

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, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

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

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

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

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

	Useful life	Internally generated or acquired
Land lease rights from government	Finite – 4 years	Acquired

Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through income statement, loans and receivables, held-to-maturity investments or financial assets available-for-sale, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through income statement, directly attributable transaction costs.

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

The Group's financial assets include bank balances and cash, financial assets at fair value through income statement, financial assets available-for-sale, accounts receivable and other assets. At 31 December 2010, the Group did not have held-to-maturity investments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial assets (continued)

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

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

The Group has not designated any financial assets upon initial recognition as at fair value through income statement.

The Group evaluated its financial assets at fair value through income statement (held for trading), to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity is permitted depending on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through income statement using the fair value option at designation.

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

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

Financial assets available-for-sale
Financial assets classified as available-for-sale are those equity investments, which are neither classified as financial assets at fair value through income statement and held-to-maturity. After initial measurement, financial assets available-for-sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in cumulative changes in fair value reserve until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss is recognised in the consolidated income statement in investment income/loss and removed from the cumulative changes in fair value reserve. Financial assets whose fair value cannot be reliably measured are stated as cost less impairment losses, if any.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired,
- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

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

Impairment is determined as follows:
- for assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective interest rate;
- for assets carried at fair value, impairment is the difference between cost and fair value; and
- 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.

Financial assets available-for-sale
For financial assets available-for-sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original 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 that investment previously recognised in the consolidated income statement in investment income - is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

(iii) Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through income statement and loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include accounts payable. At 31 December 2010, the Group did not have any financial liabilities at fair value through income statement.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 26.

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

With respect to its national employees, the Group makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligation are limited to these contribution, which are expensed when due.

Taxation
National Labour Support Tax (NLST)
The Parent Company calculates 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.

Kuwait Foundation for the Advancement of Sciences (KFAS)
The Parent Company calculates the contribution to KFAS at 1% of profit 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.

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

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

Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Classification of investments
Management decides on acquisition of an investment whether it should be classified as at fair value through income statement or as available-for-sale.

The Group classifies financial assets at fair value through income statement if they are acquired primarily for the purpose of short term profit making.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Classification of investments (continued)
Classification of financial assets at fair value through income statement depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as at fair value through income statement.

All other financial assets are classified as available-for-sale.

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;
- an earnings multiple or industry specific earnings multiple;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments require significant estimation. For the investments where this estimation cannot be reliably determined, they are carried at cost less impairment, if any.

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 judgment.

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

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

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

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

4 REVENUES

	2010 *KD*	*2009* *KD*
Contract	**6,351,622**	5,701,795
Storage	**2,925,550**	3,451,149
Manufacturing	**2,415,832**	2,173,022
Maintenance and spare parts	**1,151,790**	1,229,076
	12,844,794	12,555,042

5 INVESTMENT (LOSS)/GAIN

	2010 *KD*	*2009* *KD*
Unrealised loss on financial assets at fair value through income statement	**(59,924)**	(8,797)
Realised loss on financial assets at fair value through income statement	**(507)**	(4,633)
Impairment of financial assets available-for-sale (Note 10)	**(55,881)**	-
Realised gain on financial assets available-for-sale	**29,494**	-
Dividend income	-	68,245
	(86,818)	54,815

6 ADMINISTRATIVE EXPENSES

	2010 *KD*	*2009* *KD*
Staff costs	**613,497**	510,377
Depreciation (Note 8)	**160,317**	245,683
Amortization (Note 9)	**219,354**	219,354
Other operating expenses	**735,226**	664,784
	1,728,394	1,640,198

7 BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share is computed by dividing the profit/(loss) for the year attributable to the Parent Company by the weighted average number of shares outstanding during the year less weighted average number of treasury shares, as follows:

	2010	*2009*
Profit/(loss) for the year attributable to the Parent Company (KD)	**1,067,211**	(3,332,794)
Weighted average number of shares outstanding	**85,141,078**	85,141,078
Weighted average number of treasury shares (Note 17)	**(840,000)**	(840,000)
Net weighted average number of shares	**84,301,078**	84,301,078
Basic and diluted earnings/(loss) per share attributable to the Parent Company	**12.7 fils**	(39.5) fils

8 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:									
At 1 January 2010	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
Additions	-	9,002	-	13,980	-	56,866	30,500	8,250	118,598
Transfers	-	11,814	-	170	-	-	-	(11,984)	-
Disposals	-	-	-	-	-	-	(1,299,546)	(4,604)	(1,304,150)
At 31 December 2010	2,751,660	9,748,298	1,820,580	719,613	1,992,096	1,451,219	3,906,149	8,250	22,397,865
Depreciation:									
At 1 January 2010	-	7,234,275	1,300,438	688,691	1,726,300	1,215,921	2,619,844	-	14,785,469
Charge for the year	-	194,503	58,778	11,019	15,546	66,449	396,935	-	743,230
Impairment	-	-	-	-	-	-	60,376	-	60,376
Relating to disposals	-	-	-	-	-	-	(777,017)	-	(777,017)
At 31 December 2010	-	7,428,778	1,359,216	699,710	1,741,846	1,282,370	2,300,138	-	14,812,058
Net carrying amount:									
At 31 December 2010	**2,751,660**	**2,319,520**	**461,364**	**19,903**	**250,250**	**168,849**	**1,606,011**	**8,250**	**7,585,807**
Cost:									
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 9)	(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
Depreciation:									
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
Net 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

8 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge has been allocated in the consolidated income statement as follows:

	2010 *KD*	*2009* *KD*
Cost of revenues	**582,913**	636,085
Administrative expenses (Note 6)	**160,317**	245,683
	743,230	881,768

An impairment loss of KD 60,376 recognised during the year represents the write-down of certain vehicles to their recoverable amount. This has been included in 'Cost of revenues'.

9 INTANGIBLE ASSETS

	2010 *KD*	*2009* *KD*
Cost:		
At 1 January	**1,096,770**	596,770
Transfer (Note 8)	**-**	500,000
At 31 December	**1,096,770**	1,096,770
Amortisation:		
At 1 January	**(219,354)**	-
Charge for the year (Note 6)	**(219,354)**	(219,354)
At 31 December	**(438,708)**	(219,354)
Net carrying amount:		
At 31 December	**658,062**	877,416

10 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2010 *KD*	*2009* *KD*
Unquoted equity security	**10,741**	10,741
Managed equity funds	**448,988**	565,165
	459,729	575,906

Unquoted equity security is carried at cost due to the unpredictable nature of its future cash flows and lack of other suitable methods for arriving at a reliable fair value of this investment. There is no active market for this financial asset and the Group intends to hold it for the long term. Management is not aware of any circumstances that would indicate any impairment in the value of this investment at the reporting date.

Mutual equity funds are carried at net asset values provided by the fund managers. Management has performed a review of these managed equity funds to assess whether impairment has occurred in their value and recorded an impairment loss of KD 55,881 (2009: Nil) (Note 5) in the consolidated income statement.

11 INVENTORIES

	2010 *KD*	*2009* *KD*
Raw materials	**5,172,685**	4,342,316
Work in progress	**630,814**	135,823
Finished goods	**564,417**	1,085,517
Goods in transit	**106,617**	25,022
Spare parts	**456,936**	672,415
	6,931,469	6,261,093
Provision for old and obsolete inventories	**(1,048,322)**	(1,345,750)
	5,883,147	4,915,343

12 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2010 *KD*	*2009* *KD*
Trade accounts receivable	**3,944,635**	4,105,935
Less: provision for doubtful debts	**(1,868,428)**	(1,933,532)
	2,076,207	2,172,403
Unbilled revenue	**1,688,304**	1,296,018
Advance to suppliers	**319,340**	126,199
Prepaid expenses	**80,258**	53,368
Refundable deposits	**21,268**	17,312
Other receivable	**34,627**	41,324
	4,220,004	3,706,624

At 31 December 2010, trade accounts receivable of an initial value of KD 1,868,428 (2009: KD 1,933,532) were impaired and fully provided for. The movement in the provision for doubtful trade accounts receivable that are individually determined to be impaired is as follows:

	2010 *KD*	*2009* *KD*
At 1 January	**1,933,532**	761,781
Charge for the year	-	1,295,456
Utilised	**(41,040)**	(123,705)
Unused amount reversed	**(24,064)**	-
At 31 December	**1,868,428**	1,933,532

Included in the Group's trade accounts receivable are debtors with a carrying amount of KD 1,469,278 (2009: KD 1,213,887) 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. As at 31 December, the ageing analysis of trade accounts receivables is as follows:

			Past due but not impaired				
	Total *KD*	*Neither past due nor impaired* *KD*	*< 60 days* *KD*	*60- 90 days* *KD*	*90-180 days* *KD*	*180-360 days* *KD*	*Over1 year* *KD*
2010	**2,076,207**	**246,747**	**131,265**	**59,275**	**441,420**	**26,766**	**970,734**
2009	2,172,403	328,174	148,130	482,212	346,393	181,317	686,177

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	2010 KD	2009 KD
Held for trading		
Unquoted money market fund	**128,931**	195,377

The unquoted money market fund is carried at net asset value provided by the fund manager.

14 CASH AND CASH EQUIVALENTS

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

	2010 KD	2009 KD
Cash in hand	**30**	1,711
Bank balances	**3,812,936**	3,870,156
	3,812,966	3,871,867
Less: Restricted bank balance	**(303,539)**	(306,958)
	3,509,427	3,564,909

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

15 SHARE CAPITAL

	2010 KD	2009 KD
Authorised, issued and fully paid up 85,141,078 (2009: 85,141,078) shares of 100 fils each	**8,514,108**	8,514,108

16 RESERVES

Statutory reserve

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

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

Voluntary reserve

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

17 TREASURY SHARES AND TREASURY SHARE RESERVE

	2010	*2009*
Number of own shares	**840,000**	840,000
Percentage of issued shares	**1%**	1%
Cost (KD)	**309,013**	309,013
Market value (KD)	**191,520**	222,600

Treasury share reserve

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

18 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2010 KD	*2009 KD*
At 1 January	**704,414**	708,140
Provided during the year	**205,724**	76,827
Paid during the year	**(212,237)**	(80,553)
At 31 December	**697,901**	704,414

19 ACCOUNTS PAYABLE AND ACCRUALS

	2010 KD	*2009 KD*
Trade accounts payables	**949,653**	1,107,379
Advances from customers	**93,089**	1,796,598
Revenues received in advance	**1,524,742**	121,456
Accrued expenses	**145,328**	862,561
Dividend payable	**303,539**	306,958
Provision for staff leave	**150,596**	253,221
Other payables	**11,584**	1,846
	3,178,531	4,450,019

20 DIVIDENDS

The board of directors of the Parent Company have proposed dividends for the year ended 31 December 2010 of 5 fils per share and bonus shares at 5% or 5 shares per 100 shares, 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 2009 was held on 26 April 2010.

21 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

	2010 KD	*2009 KD*
Salaries and other employee benefits	**120,000**	60,000
Termination benefits	**17,000**	8,300
Directors' remuneration	**10,000**	-
	147,000	68,300

22 CONTINGENCIES AND COMMITMENTS

Contingencies
At 31 December 2010, the Parent Company has provided performance bank guarantees to customers amounting to KD 1,482,551 (2009: KD 2,151,281). It is anticipated that no material liabilities will arise.

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.

Commitments
In the ordinary course of business, the Group has credit-related commitments amounting to KD 1,888,666 (2009: KD 415,000).

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

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

	2010 ***KD***	*2009* *KD*
Within one year	**122,561**	143,287
After one year but not more than five years	**30,457**	153,018
	153,018	296,305

23 SEGMENT INFORMATION

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

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

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

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

31 December 2010	***Contracting and manufacturing KD***	***Storage KD***	***Unallocated KD***	***Total KD***
Revenue	**8,767,454**	**2,925,551**	**1,151,789**	**12,844,794**
Depreciation and amortisation	399,529	410,494	152,561	962,584
Impairment of financial assets available-for-sale	-	-	55,881	55,881
Impairment of receivables	27,874	-	-	27,874
Result	**735,196**	**245,280**	**86,735**	**1,067,211**
Operating assets	**15,773,676**	**2,961,580**	**4,013,390**	**22,748,646**
Operating liabilities	**3,335,626**	**471,411**	**69,395**	**3,876,432**
Other disclosures				
Capital expenditure	**79,848**	**30,500**	**8,250**	**118,598**

23 SEGMENT INFORMATION (continued)

31 December 2009	*Contracting and manufacturing*	*Storage*	*Unallocated*	*Total*
Revenue	9,103,893	3,061,489	389,660	12,555,042
Depreciation and amortisation	462,172	431,127	207,822	1,101,121
Impairment of receivables	777,273	518,183	-	1,295,456
Provision for old and obsolete inventories	1,144,284	-	-	1,144,284
Result	(832,224)	1,199,551	(3,700,121)	(3,332,794)
Operating assets	15,403,129	3,529,511	4,007,841	22,940,481
Operating liabilities	4,329,345	758,054	67,034	5,154,433
Other disclosures				
Capital expenditure	222,151	72,993	-	295,144

Geographic information

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

Revenue	***2010 KD***	*2009 KD*
Kuwait	**12,704,531**	12,553,482
Non-Kuwait	**140,263**	1,560
	12,844,794	12,555,042

The income information above is based on the location of the assets generating the income.

Non-current assets	***2010 KD***	*2009 KD*
Kuwait	**8,254,610**	9,686,105
Non-Kuwait	**448,988**	565,165
	8,703,598	10,251,270

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group's policy is to monitor these business risks through the Group's strategic planning process. No changes were made in the risk management objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009. The Parent Company's management reviews and agrees policies for managing each of these risks which are summarised below:

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.1 CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. Financial assets subject to credit risk consist principally of bank balances and accounts receivable and other assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. At 31 December 2010, the Group's 10 largest customers accounted for 16.4% (2009: 33.1%) of the total trade accounts receivable. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several industries and operate in largely independent markets. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks.

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

	2010	*2009*
	KD	*KD*
Accounts receivable and other assets	**3,820,406**	3,527,057
Bank balances	**3,812,966**	3,870,156
	7,633,372	7,397,213

The maximum credit exposure to a single counter party is KD 3,143,314 (2009: KD 3,377,287).

24.2 LIQUIDITY RISK

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

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

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

31 December 2010	***On demand KD***	***Less than 3 months KD***	***3 to 12 months KD***	***Over 1 year KD***	***Total KD***
Account payable and other accruals	**528,833**	**276,170**	**1,743,180**	**630,348**	**3,178,531**
31 December 2009					
Account payable and other accruals	497,951	918,232	1,237,238	1,796,598	4,450,019

24.3 MARKET RISK

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

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.3 MARKET RISK (continued)

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

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

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

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

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

The Group has investments in managed equity funds classified as financial assets available-for-sale carried at net asset values reported by the fund managers. As a result, management was neither able to assess the relative sensitivity of the value of these investments to change in equity prices nor obtain this information from the fund managers.

25 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 2010 and 31 December 2009.

Capital comprises share capital, statutory reserve, voluntary reserve, treasury shares, treasury shares reserves and retained earnings/(accumulated losses) less cumulative changes in fair values, and is amounts to KD 18,846,759 as at 31 December 2010 (2009: KD 17,779,548).

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount at which an asset, liability or financial instrument could be exchanged or 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 and liabilities, except for an unquoted equity investment classified as financial assets available-for-sale (Note 10), approximated their respective net book values at the reporting date.

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.

26 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value

31 December 2010	***Level 1 KD***	***Level 2 KD***	***Level 3 KD***	***Total KD***
Financial assets at fair value through income statement	-	128,931	-	128,931
Financial assets available-for-sale	-	448,988	-	448,988
31 December 2009				
Financial assets at fair value through income statement	-	195,377	-	195,377
Financial assets available-for-sale	-	565,165	-	565,165

During the reporting period ended 31 December 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.