

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

Consolidated Financial Statements for the year
Ended December 31, 2013

With Auditor's report

Refrigeration Industries & Storage Company

K.S.C. P

And its subsidiary

Kuwait

The financial statements for the year ended December 31, 2013

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**The Shareholders
Refrigeration Industries and Storage Company
And its subsidiary
K.S.C. P**

Kuwait

Report on the consolidated financial Statements

We have audited the accompanying consolidated financial statements of Refrigeration Industries and Storage Company - K.S.C.P " the parent company " and its subsidiary " the group " - which comprise the statement of financial position as of December 31, 2013 and the related consolidated statements of comprehensive income, changes in owner's equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management Responsibility for the consolidated financial Statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management. As well as evaluating the overall presentation of the consolidated financial statements.



مكتب
الصالحية
AL-SALHEYA

محاسبون قانونيون
Certified Public Accountant



مكتب الواحه
للتدقيق الحسابات
على عويد رخيص
عضو المجموعه الدوليه للمحاسبه

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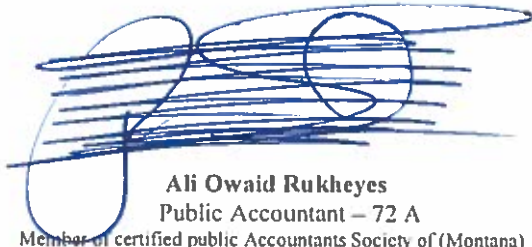
We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Refrigeration Industries and Storage Company - K.S.C " the parent company " and its subsidiary - as of December 31, 2013 and the results of its operations 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 my opinion proper books of account have been kept by the 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 there with. We further report that we obtained all the information and explanation that we required for the purpose of my audit. Also, the consolidated financial statements include the disclosures required by the companies' law no. 25 for year 2012 & its subsequent amendments and the incorporation contract & articles of association. Physical stocktaking was carried out in accordance with the recognized practice. According to the information available to us, there were no contraventions during the year ended December 31, 2013 of either the companies' law no. 25 for year 2012 & its subsequent amendments or the incorporation contract & articles of association which might have materially affected the company's financial position or results of its operations.



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



Ali Mohammed Kohary
Public Account - 156 A
Member of Prime Global
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January 28, 2014



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

Consolidated statement of financial position as of December 31, 2013

<u>Assets</u>	<u>Note</u>	<u>2013</u>	<u>2012</u>
		<u>K.D</u>	<u>K.D</u>
<u>Non-current assets</u>			
Property, plant and equipment	4	9,143,251	9,017,262
Leased assets	5	223,200	297,600
Intangible assets	6	208,744	219,354
Total current assets		9,575,195	9,534,216
<u>Current assets</u>			
Inventories	7	8,535,376	6,640,727
Trade & other receivables	8	12,051,182	6,762,688
Bank balances and cash	9	74,230	106,952
Total current assets		20,660,788	13,510,367
Total assets		30,235,983	23,044,583
<u>Owner's equity and liabilities</u>			
<u>Owner's equity</u>			
Share capital	10	8,939,813	8,939,813
Statutory reserve	11	4,824,285	4,824,285
Voluntary reserve	12	4,728,317	4,728,317
Treasury shares	13	(309,013)	(309,013)
Treasury shares reserve		146,899	146,899
Retained earnings (accumulated losses)		1,679,095	(1,046,940)
Total owner's equity		20,009,396	17,283,361
<u>Non-current liabilities</u>			
Provision for staff indemnity	14	868,667	781,928
Total non-current liabilities		868,667	781,928
<u>Current liabilities</u>			
Accounts payable and accruals	15	4,910,355	3,526,644
Due to bank	16	597,565	516,650
Bank loan	17	3,850,000	750,000
Obligations under finance lease - current portion	18	-	186,000
Total current liabilities		9,357,920	4,979,294
Total liabilities		10,226,587	5,761,222
Total liabilities and owner's equity		30,235,983	23,044,583

Saleh Al Mekhlef
Vice chairman & CEO

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

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

Consolidated statement of comprehensive income for the year ended December 31, 2013

	<u>Note</u>	<u>2013</u> <u>K.D</u>	<u>2012</u> <u>K.D</u>
Operating revenues	19	28,298,558	21,246,105
Operating costs		<u>(22,874,018)</u>	<u>(17,268,897)</u>
Gross profit		5,424,540	3,977,208
Gains (losses) on sale of property, plant and equipment		14,050	(16,494)
Depreciations	4 , 5	(241,748)	(442,020)
Amortizations	6	(45,906)	(219,354)
Employees costs		(1,504,750)	(1,433,400)
Other operating expenses		(1,188,735)	(295,861)
Finance charges		(168,819)	-
Interest income		30	1,015
Other operating income		613,247	1,021,721
Foreign exchange loss		<u>(24,301)</u>	<u>(66,069)</u>
Net profit for the year before KFAS share & NLST and Zakat share & board of directors' remuneration		2,877,608	2,526,746
National labor support tax	21	(74,476)	(66,778)
Zakart share	22	(29,790)	(26,711)
KFAS share		(18,307)	-
Board of director's remuneration		<u>(29,000)</u>	<u>(17,000)</u>
Net profit for the year related to the parent company		<u>2,726,035</u>	<u>2,416,257</u>
Other comprehensive income for the year :			
Total other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>2,726,035</u>	<u>2,416,257</u>
Basic & diluted Earnings per share related to the parent company	23	<u>30.80</u>	<u>27.30</u>

The accompanying notes are integral part of these consolidated financial statements

Refrigeration Industries & Storage Company

K.S.C.P

And its subsidiary

Kuwait

Consolidated statement of changes in owner's equity for the year ended December 31, 2013

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Voluntary reserve</u>	<u>Treasury reserve</u>	<u>Treasury shares reserve</u>	<u>(Accumulated losses) Retained earnings</u>	<u>Total</u>
	<u>K.D</u>	<u>K.D</u>	<u>K.D</u>	<u>K.D</u>	<u>K.D</u>	<u>K.D</u>	<u>K.D</u>
Balance at January 1, 2013	8,939,813	4,824,285	4,728,317	(309,013)	146,899	(1,046,940)	17,283,361
Net profit for the year	-	-	-	-	-	2,726,035	2,726,035
Balance at December 31, 2013	8,939,813	4,824,285	4,728,317	(309,013)	146,899	1,679,095	20,009,396
Balance at January 1, 2012	8,939,813	4,824,285	4,728,317	(309,013)	146,899	(3,463,197)	14,867,104
Net loss for the year	-	-	-	-	-	2,416,257	2,416,257
Balance at December 31, 2012	8,939,813	4,824,285	4,728,317	(309,013)	146,899	(1,046,940)	17,283,361

The accompanying notes are integral part of these consolidated financial statements

Refrigeration Industries & Storage Company
K.S.C.P
And its subsidiary
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Consolidated statement of cash flows for the year ended December 31, 2013

	<u>2013</u>	<u>2012</u>
	<u>K.D</u>	<u>K.D</u>
<u>Cash flows from operating activities</u>		
Net profit for the year	2,726,035	2,416,257
<u>Adjustments</u>		
Depreciations	691,341	709,329
Amortizations	45,906	219,354
Provision for staff indemnity	192,015	262,333
Provision for old and obsolete items	14,675	-
(Gains) loss on sale of property, plant and equipment	(14,050)	16,494
Finance charges	168,819	-
Interest income	(30)	(1,015)
Foreign exchange gain	24,301	66,069
Operating profit before change in working capital items	3,849,012	3,688,821
Inventories	(1,909,324)	(538,608)
Trade & other receivables	(5,288,494)	(4,187,173)
Accounts payable and accruals	1,590,035	(104,164)
Cash flows used in operating activities	(1,758,771)	(1,141,124)
Paid for staff indemnity	(105,276)	(117,942)
Net cash flows used in operating activities	(1,864,047)	(1,259,066)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(742,930)	(2,338,957)
Proceeds from sale of property, plant and equipment	14,050	138,350
Paid for leased assets	-	(372,000)
Paid for intangible assets	(35,296)	-
Interest received	30	1,015
Net cash flows used in operating activities	(764,146)	(2,571,592)
<u>Cash flows from financing activities</u>		
Obligations under finance lease	(186,000)	186,000
Due to bank	80,915	516,650
Bank loan	3,100,000	750,000
Finance charges	(168,819)	-
Dividends paid	(44,963)	(230,625)
Net cash flows generated from financing activities	2,781,133	1,222,025
Increase (decrease) in cash and cash equivalent	152,940	(2,608,633)
Cash and cash equivalent at the beginning of the year	(123,673)	2,484,960
Cash and cash equivalent at the end of the year	<u>29,267</u>	<u>(123,673)</u>

The accompanying notes are integral part of these consolidated financial statements

Refrigeration Industries & Storage Company

K.S.C.P

And its subsidiary

Kuwait

Notes to consolidated

Legal form

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

- The company's registered office is P.O. Box 22261 , Safat 13083 , State of Kuwait.
- The consolidated financial statements of Refrigeration Industries and Storage Company K.S.C. (the "Parent Company") and its subsidiary (collectively, the "Group") for the year ended 31 December 2013 were authorized for issue by the Parent Company's board of directors on January 28, 2014. The annual general meeting of the shareholders have the power to amend these consolidated financial statements after issuance.

2 - Adoption of new and amended standards

Bases of preparation :

The consolidated financial Statements are presented in Kuwaiti Dinars and have been prepared on a historical cost convention, the accounting policies applied by the company are similar to those applied in the previous year except for the changes resulting from application of some adjustments of IFRS as of January 1, 2013 as follows :

2.1 New and amended standards adopted by the Group

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment are described below:

<u>Standard</u>	<u>Effective for annual periods beginning</u>
IAS 1 Presentation of Financial Statements – amendment	1-Jul-12
IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements	1-Jan-13
IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures	1-Jan-13
IFRS 12 Disclosure of Interests in Other Entities	1-Jan-13
IFRS 13 Fair Value Measurement	1-Jan-13
IFRS 7 Financial Instruments: Disclosures – amendments	1-Jan-13
Annual Improvements 2009-2011	1-Jan-13

2.1.1 IAS 1 Presentation of Financial Statements

The amendment to IAS 1 requires entities to group other comprehensive income items presented in the consolidated statement of comprehensive income based on those:

- a) Potentially reclassifiable to consolidated statement of income in a subsequent period, and
- b) That will not be reclassified to consolidated statement of income subsequently.

The amendments to IAS 1 had no impact on the Group's financial position or performance.

2 - Significant accounting policies (continued)

2.1 New and amended standards adopted by the Group (continued)

2.1.2 IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. It revises the definition of control together with accompanying guidance to identify an interest in a subsidiary. To meet the definition of control in IFRS 10, all nine criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiary and therefore change the scope of consolidation. However, the requirements and procedures of consolidation and the accounting for any non-controlling interests and changes in control remain the same. IFRS 10 did not change the classification (as subsidiary or otherwise) of any of the Group's existing investees.

2.1.3 IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures

IFRS 11 supersedes IAS 31 Interests in Joint Ventures (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates. As a consequence of the new IFRS 11, IAS 28 brings investments in joint ventures into its scope, however, the equity accounting methodology under IAS 28 remains unchanged.

2.1.4 IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments including subsidiary, joint arrangements, associates and unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

2.1.5 IFRS 13 Fair Value Measurement

IFRS 13 does not affect which items to be fair valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application.

2.1.6 IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The required disclosures are required to be provided retrospectively.

Management does not anticipate a material impact on the consolidated financial statements of the group from these amendments.

2 - Significant accounting policies (continued)

2.1 New and amended standards adopted by the Group (continued)

2.1.7 Annual Improvements 2009-2011 (the Annual Improvements)

The Annual Improvements 2009-2011 (the Annual Improvements) made several minor amendments to a number of IFRSs. The amendments relevant to the Group are summarised below:

Clarification of the requirements for opening statement of financial position (amendments to IAS 1):

- Clarifies that the appropriate date for the opening statement of financial position (“third balance sheet”) is the beginning of the preceding period (related notes are no longer required to be presented)
- Addresses comparative requirements for the opening statement of financial position when an entity changes accounting policies or makes retrospective restatements or reclassifications, in accordance with IAS 8.

Clarification of the requirements for comparative information provided beyond minimum requirements (amendments to IAS 1):

- clarifies that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements
- Requires that any additional information presented should be presented in accordance with IFRS and the entity should present comparative information in the related notes for that additional information.

Tax effect of distribution to holders of equity instruments (Amendments to IAS 32):

addresses a perceived inconsistency between IAS 12 ‘Income Taxes’ (IAS 12) and IAS 32 ‘Financial Instruments: Presentation’ (IAS 32) with regards to recognising the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction

Clarifies that the intention of IAS 32 is to follow the requirements in IAS 12 for accounting for income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.

The amendment did not have an impact on the consolidated financial statements for the Group, as there is no tax consequences attached to cash or non-cash distribution.

2.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group’s accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group’s financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group’s financial statements.

<u>Standard</u>	<u>Effective for annual periods beginning</u>
IAS 32 Financial Instruments: Presentation – amendments	1-Jan-14
IAS 36 Impairment of Assets- Amendments	1-Jan-14
IAS 39 Financial Instruments: Recognition and Measurement	1-Jan-14
IFRS 9 Financial Instruments	1-Jan-14
IFRIC 21 Levies	1-Jan-14

2 - Significant accounting policies

2.2 IASB Standards issued but not yet effective (continued)

2.2.1 IAS 32 Financial Instruments: Presentation - Amendments

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

The meaning of 'currently has a legally enforceable right of set-off'

That some gross settlement systems may be considered equivalent to net settlement.

The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the group's consolidated financial statements from these amendments.

2.2.2 IAS 36 Impairment of Assets- Amendments

The amendments to IAS 36 reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are applicable to annual periods beginning on or after 1 January 2014. Management does not anticipate a material impact on the group's consolidated financial statements from these amendments.

2.2.3 IAS 39 Financial Instruments: Recognition and Measurement- Amendments

Under the IAS 39 amendments 'Novation of Derivatives and Continuation of Hedge Accounting' there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2014, with earlier application being permitted.

2.2.4 IFRS 9 Financial Instruments

The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities, and hedge accounting have been issued. Chapter dealing with impairment methodology is still being developed. The effective date for the entire standard will be determined after completion of the new impairment model.

Further, in November 2013, the IASB made limited modifications to IFRS 9's financial asset classification model to address application issues. Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice.

The group's management have yet to assess the impact of this new standard on the group's consolidated financial statements. Management does not expect to implement IFRS 9 until it has been completed and its overall impact can be assessed.

2.2.5 IFRIC 21 Levies

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The Interpretation clarifies that 'economic compulsion' and the going concern principle do not create or imply that an obligating event has occurred.

IFRIC 21 provides the following guidance on recognition of a liability to pay levies, a) the liability is recognised progressively if the obligating event occurs over a period of time, and b) if an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached. The Group is not currently subjected to any significant levies so this amendment is not expected to have a significant impact on the Group's financial statements. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014.

2.3 Basis of consolidation

The Group financial statements consolidate those of the parent company and its subsidiary. Subsidiary is all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. subsidiary are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. The financial statements of the subsidiary are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiary acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiary between the owners of the parent and the non-controlling interests based on their respective ownership interests. 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:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

The consolidated financial statements involves the financial statements of the parent company & its subsidiary as of December 31, 2013.

Details of the subsidiary which involves the consolidated financial statements :

<u>Subsidiary</u>	<u>Country of incorporation</u>	<u>Main activity</u>	<u>Ownership ratio 2013</u>	<u>Ownership ratio 2012</u>
* Coolex General Trading & Contracting Company - w.l.l	Kuwait	Active	99%	99%
* The ownership of non-significant units which are kept by Trustees who assured through abandonment book that the parent company is the beneficiary owner from these shares in the subsidiary.				

2.4 Significant accounting policies

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

Property, plant and equipment

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

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

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

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

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

Leases

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

Group as a lessee

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

Group as a lessor

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

2.4 Significant accounting policies (continued)

Intangible assets

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

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

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

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

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

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

Financial instruments – initial recognition and subsequent measurement

(1) Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and receivables

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

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

2.4 Significant accounting policies (continued)

Derecognition

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

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

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

(2) Impairment of financial assets

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

Impairment is determined as follows:

- for assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective interest rate;
- for assets carried at cost, impairment is the difference between actual cost and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

(3) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Accounts payable

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

2.4 Significant accounting policies (continued)

Derecognition

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

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

(4) Offsetting of financial instruments

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

(5) Fair value of financial instruments

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

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

Inventories

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

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

Raw materials and spare parts, Purchase cost on a moving average basis , Work in progress and finished goods.

Cost of direct materials and labour and a proportion of manufacturing based on normal operating capacity but excluding borrowing costs.

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

Impairment of non-financial assets

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

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

2.4 Significant accounting policies (continued)

Impairment of non-financial assets (continued)

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

Intangible assets

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

Cash and cash equivalents

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

Treasury shares

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

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

Provisions

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

Employees' end of service benefits

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

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

2.4 Significant accounting policies (continued)

Foreign currency translation

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

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

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

Revenue recognition

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

Sale of goods

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

Revenue from construction contracts

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

Rendering of services

Maintenance revenue is recognised upon performance of services.

Storage revenues

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

Dividends

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

Interest income

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

3 - Significant accounting policies, estimates and assumptions

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

Judgements

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

Estimates and assumptions

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

Fair value of financial instruments

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

Impairment of accounts receivable

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

Useful lives of property, plant and equipment

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

Impairment of inventories

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

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4 -Fixed assets

<u>Cost</u>	<u>Lands</u>	<u>Buildings</u>	<u>Machines</u>	<u>Vehicles</u>	<u>Generators & electric tools</u>	<u>Furniture & office equipments</u>	<u>Tools & Equipments</u>	<u>Work-in progress</u>	<u>Totals</u>
	<u>K.D</u>	<u>K.D</u>	<u>K.D</u>	<u>K.D</u>	<u>K.D</u>	<u>K.D</u>	<u>K.D</u>	<u>K.D</u>	<u>K.D</u>
Balance at December 31, 2012	2,876,260	9,508,363	3,457,738	1,422,960	2,185,935	1,554,768	842,821	1,221,710	23,070,55
Additions	-	353,726	154,292	70,338	58,560	64,744	41,270	-	742,93
Transferred from WIP	-	1,151,385	70,325	-	-	-	-	-1,221,710	-
Disposals	-	-	-	(365,819)	-	(15,087)	-	-	-380,90
Balance at December 31, 2013	2,876,260	11,013,474	3,682,355	1,127,479	2,244,495	1,604,425	884,091	-	23,432,57
<u>Accumulated Depreciation</u>									
Balance at December 31, 2012	-	7,625,333	1,487,668	1,018,789	1,796,136	1,388,752	736,615	-	14,053,29
Charged for the year	-	155,687	184,289	129,345	48,308	65,530	33,782	-	616,94
Disposals	-	-	-	-365,819	-	(15,087)	-	-	-380,90
Balance at December 31, 2013	-	7,781,020	1,671,957	782,315	1,844,444	1,439,195	770,397.00	-	14,289,32
<u>Net Book Value</u>									
Balance at December 31, 2013	2,876,260	3,232,454	2,010,398	345,164	400,051	165,230	113,694	0	9,143,25
Balance at December 31, 2012	2,876,260	1,883,030	1,970,070	404,171	389,799	166,016	106,206	1,221,710	9,017,26

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

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

	2013	2012
	<u>K.D</u>	<u>K.D</u>
Costs of revenues	449,593	267,309
Profit & loss	167,348	367,620
	<u>616,941</u>	<u>634,929</u>

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5 - Leased assets

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

	<u>2013</u>	<u>2012</u>
	<u>K.D</u>	<u>K.D</u>
Cost		
At 1 January	372,000	-
Additions during the year	-	372,000
At 31 December	<u>372,000</u>	<u>372,000</u>
Accumulated depreciation		
At 1 January	(74,400)	-
Charged for the year	(74,400)	(74,400)
At 31 December	<u>(148,800)</u>	<u>(74,400)</u>
Net book value	<u>223,200</u>	<u>297,600</u>

During the current year, all finance lease obligations related to the leased assets has been paid, transfer of ownership of the leased assets for the group has been made, when transfer of ownership procedures has been completed, these leased assets would be transferred into assets owned to the group .

6 - Intangible assets

	<u>2013</u>	<u>2012</u>
	<u>K.D</u>	<u>K.D</u>
Cost		
At 1 January	1,096,770	1,096,770
Additions	35,296	-
At 31 December	<u>1,132,066</u>	<u>1,096,770</u>
Accumulated Amortization		
At 1 January	(877,416)	(658,062)
Charged for the year	(45,906)	(219,354)
At 31 December	<u>(923,322)</u>	<u>(877,416)</u>
Net book value at the end of the year	<u>208,744</u>	<u>219,354</u>

7 - Inventories

	<u>2013</u>	<u>2012</u>
	<u>K.D</u>	<u>K.D</u>
Spare parts	1,352,033	891,038
Raw materials	6,534,959	5,020,415
Finished goods	1,228,130	1,221,148
Work in progress	408,804	482,001
	<u>9,523,926</u>	<u>7,614,602</u>
Provision for old and obsolete inventories	(988,550)	(973,875)
Total	<u>8,535,376</u>	<u>6,640,727</u>

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

	<u>2013</u>	<u>2012</u>
	<u>K.D</u>	<u>K.D</u>
At the beginning	973,875	973,875
Charged for the year	14,675	-
At the end	<u>988,550</u>	<u>973,875</u>

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8 - Trade & other receivables

	<u>2013</u>	<u>2012</u>
	<u>K.D</u>	<u>K.D</u>
* Trade receivables	13,704,305	8,652,424
Provision for doubtful debts	<u>(2,910,408)</u>	<u>(2,910,408)</u>
	10,793,897	5,742,016
Unbilled revenue, net	281,798	304,874
Prepaid expenses	81,660	10,825
Refundable deposits	30,970	71,476
Advance to suppliers	649,874	493,934
Other receivables	<u>212,983</u>	<u>139,563</u>
Total	<u><u>12,051,182</u></u>	<u><u>6,762,688</u></u>

*** Trade receivables**

There is no permanent impairment in the trade receivables balances which are late paid less than three months . As at December 31, 2013 the balances of trade receivables which are late paid and not impaired & fully provided for are K.D 2,910,408 (2012: 2,910,408). The movement in the provision for doubtful trade accounts receivable that are individually determined to be impaired is as follows:

	<u>2013</u>	<u>2012</u>
	<u>K.D</u>	<u>K.D</u>
At the beginning of the year	1,868,428	1,868,428
Charged for the year	<u>-</u>	<u>-</u>
	<u><u>1,868,428</u></u>	<u><u>1,868,428</u></u>

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

	<u>2013</u>	<u>2012</u>
	<u>K.D</u>	<u>K.D</u>
From 1 month to 3 months	10,041,412	2,467,371
From 3 months to 6 months	206,266	1,583,786
From 6 months to 1 year	234,460	977,339
More than 1 year	<u>311,759</u>	<u>713,520</u>
	<u><u>10,793,897</u></u>	<u><u>5,742,016</u></u>

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

9 - Cash & cash equivalent

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

	<u>2013</u>	<u>2012</u>
	<u>K.D</u>	<u>K.D</u>
Cash at banks	<u>74,230</u>	<u>106,952</u>
	<u><u>74,230</u></u>	<u><u>106,952</u></u>
* Less: restricted balances at banks	<u>(44,963)</u>	<u>(230,625)</u>
	<u><u>29,267</u></u>	<u><u>(123,673)</u></u>

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

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10 - Share capital

The authorised, issued and fully paid up K.D 8,939,813 (2012: 8,939,813) distributed on 89,398,135 shares of 100 fils each, all shares has been paid in cash .

11 - Statutory reserve

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

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

12 - Voluntary reserve

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year is transferred to the voluntary reserve. Such transfer could be ceased based on a decision of the general meeting of shareholders with a direction from the management. There are no restrictions on distributions from voluntary reserve.

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

13 - Treasury shares

	<u>2013</u>	<u>2012</u>
	<u>K.D</u>	<u>K.D</u>
Number of own shares (share)	882,000	882,000
Percentage of issued shares	1%	1%
Market value (KD)	277,830	210,798
Cost (KD)	309,013	309,013

14 - Employee's end of service indemnity

	<u>2013</u>	<u>2012</u>
	<u>K.D</u>	<u>K.D</u>
At 1 January	781,928	637,537
Provided during the year	192,015	262,333
Paid during the year	(105,276)	(117,942)
At December 31	<u>868,667</u>	<u>781,928</u>

15 - Trade & other payables

	<u>2013</u>	<u>2012</u>
	<u>K.D</u>	<u>K.D</u>
Trade payables	1,648,531	1,208,105
Accrued expenses	543,202	500,587
Accrued leaves	245,582	241,768
Unclaimed dividend payable	44,963	230,625
Advances from customers	2,287,938	1,252,070
KFAS share	18,307	-
NLST	74,476	66,778
Zakat share	29,790	26,711
Other payables	17,566	-
Total	<u>4,910,355</u>	<u>3,526,644</u>

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16 - Due to bank

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

17 - Bank loan

It is represented by a revolving loan from the Commercial Bank of Kuwait at interest rate 2 % annually above the discount rate announced by the Central Bank of Kuwait, The Revolving loan contract will expire on Sep. 30, 2014.

18 - Obligations under finance lease

	<u>2013</u>	<u>2012</u>
	Present value of minimum lease payments	Present value of minimum lease payments
	<u>K.D</u>	<u>K.D</u>
Amounts payable under finance lease		
Within one year	-	186,000
In second to three years inclusive	-	-
	<u>-</u>	<u>186,000</u>
Less: future finance charges	-	-
Present value of leasing obligations	-	186,000
Included in the consolidated financial statements as		
Current obligations under finance lease	-	186,000
	<u>-</u>	<u>186,000</u>

It is the Company's policy to lease some of its vehicles under finance leases. The average lease term is 3 years. during the current year , all finance lease obligations has been paid . All leases are on fixed repayment basis and no arrangements have been made as for contingent rental payments.

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

Transfer of ownership of the leased assets for the company has been made, when transfer of ownership procedures has been completed, these leased assets would be transferred into assets owned to the group .

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19 - Operating income

	<u>2013</u>	<u>2012</u>
	<u>K.D</u>	<u>K.D</u>
Contract	6,440,147	6,606,113
Contracting	11,627,583	6,481,129
Storage	2,166,982	2,157,291
Manufacturing	6,396,519	4,838,593
Maintenance and spare parts	1,667,327	1,162,979
Total	<u>28,298,558</u>	<u>21,246,105</u>

20 - National Labor Support Tax

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

21 - Zakat share

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

22 - KFAS share

It is calculated KFAS share at 1% of year's profit before KFAS share, Zakat share, board of directors remuneration and after deducting the amount transferred to the statutory reserve, and amortization of the accumulated losses.

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23 - Basic & Diluted Earnings per share

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

	<u>2013</u> <u>K.D</u>	<u>2012</u> <u>K.D</u>
Net profit for the year related to the parent company	2,726,035	2,416,257
Weighted average of number of shares outstanding	89,398,135	89,398,135
Less: weighted average of treasury shares	<u>(882,000)</u>	<u>(882,000)</u>
Weighted average of number of shares outstanding	88,516,135	88,516,135
	<u>Fils</u>	<u>Fils</u>
Basic & Diluted earnings per share related to the parent company	<u>30.80</u>	<u>27.30</u>

24 - Related party transactions

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

	<u>2013</u> <u>K.D</u>	<u>2012</u> <u>K.D</u>
<u>Top management remuneration</u>		
Key management compensation and salaries	100,400	91,400
Employee's end of service indemnity	<u>12,000</u>	<u>12,000</u>
	<u>112,400</u>	<u>103,400</u>

25 - Commitments and contingencies

Contingent liabilities

At December 31, 2013 the parent company offered a performance guarantee to customers amounting K.D 2,409,657 (2012: K.D 2,186,518), no expectations for any significant liabilities.

Contingencies

In the ordinary course of business, the Group has credit-related commitments amounting to KD 791,099 (2012: KD 887,698).

Legal claim Contingencies

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

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25 - Commitments and contingencies (continued)

Operating lease commitments - Group as lessee

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

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

	<u>2013</u>	<u>2012</u>
	<u>K.D</u>	<u>K.D</u>
During 1 year	117,015	153,392
From 1 year to 5 year	82,873	199,888
	<u>199,888</u>	<u>353,280</u>

Finance lease commitments - Group as lessee

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

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

	<u>2013</u>	<u>2012</u>
	<u>K.D</u>	<u>K.D</u>
During 1 year	-	186,000
From 1 year to 3 year	-	-
	<u>-</u>	<u>186,000</u>

26 - Segment information

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

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

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26 - Segment information (continued)

At 31 December 2013

	<u>Contracting and manufacturing</u>	<u>Storage</u>	<u>Unallocated</u>	<u>Total</u>
	<u>K.D</u>	<u>K.D</u>	<u>K.D</u>	<u>K.D</u>
Revenue	<u>24,464,249</u>	<u>2,166,982</u>	<u>1,667,327</u>	<u>28,298,558</u>
Depreciation and amortization	387,780	62,089	287,378	737,247
Results	<u>1,260,919</u>	<u>1,315,050</u>	<u>150,066</u>	<u>2,726,035</u>
Assets	<u>21,063,671</u>	<u>2,213,702</u>	<u>6,958,610</u>	<u>30,235,983</u>
Liabilities	<u>9,158,737</u>	<u>3,165</u>	<u>1,064,685</u>	<u>10,226,587</u>
Other disclosures				
Capital expenditure	635,383	43,449	64,098	742,930

At 31 December 2012

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

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	<u>2013</u>	<u>2012</u>
	<u>K.D</u>	<u>K.D</u>
Kuwait	24,288,581	20,841,394
Non-Kuwait	<u>4,009,977</u>	<u>404,711</u>
	<u>28,298,558</u>	<u>21,246,105</u>
Non-current assets		
	<u>2013</u>	<u>2012</u>
	<u>K.D</u>	<u>K.D</u>
Kuwait	9,575,195	9,534,216
Non-Kuwait	-	-
	<u>9,575,195</u>	<u>9,534,216</u>

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

27 - Risk management

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group's policy is to monitor these business risks through the Group's strategic planning process. No changes were made in the risk management objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012. The Parent Company's management reviews and agrees policies for managing each of these risks which are summarised below:

Credit risks

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. Financial assets subject to credit risk consist principally of bank balances and accounts receivable and other assets. Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored at 31 December 2013.

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

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

Non-current assets

	<u>2013</u> <u>K.D</u>	<u>2012</u> <u>K.D</u>
Accounts receivable and other assets (excluding advances to suppliers and prepaid expenses)	11,319,648	6,257,929
Bank balances (excluding cash)	<u>74,230</u>	<u>106,952</u>
	<u>11,393,878</u>	<u>6,364,881</u>

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

Risk concentration of maximum exposure to credit risk

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

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

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

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27 - Risk management (continued)

Credit risks (continued)

	<u>2013</u> <u>K.D</u>	<u>2012</u> <u>K.D</u>
Geographic regions:		
Kuwait	<u>11,393,878</u>	<u>6,364,881</u>
	<u>2013</u> <u>K.D</u>	<u>2012</u> <u>K.D</u>
Business sectors:		
Banks & financial institutions	74,230	106,952
Companies	<u>11,319,648</u>	<u>6,257,929</u>
	<u>11,393,878</u>	<u>6,364,881</u>

Liquidity risks

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

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

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

At 31 December 2013

	<u>Contracting and</u> <u>manufacturing</u>	<u>Storage</u>	<u>Unallocated</u>	<u>Total</u>
	<u>K.D</u>	<u>K.D</u>	<u>K.D</u>	<u>K.D</u>
Due to bank	597,565	-	-	597,565
Bank loan	-	-	3,850,000	3,850,000
Accounts payable & accruals	<u>812,058</u>	<u>424,077</u>	<u>3,674,220</u>	<u>4,910,355</u>

At 31 December 2012

Due to bank	516,650	-	-	516,650
Bank loan	-	-	750,000	750,000
Accounts payable & accruals	<u>647,772</u>	<u>338,283</u>	<u>2,726,589</u>	<u>3,712,644</u>

Market risks

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

27 - Risk management (continued)

Interest rate risks

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

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

Foreign currency risks

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

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

Price share risks

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

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

Capital management

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

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

No changes were made in the objectives, policies or processes during the year ended 31 December 2013 and 31 December 2012.

Capital represents total equity amounting at KD 20,009,396 (2012: KD 17,283,361).

28 - General Assembly

The AGM of the parent company in the history of the Ministry of Commerce and Industry on 7 April 2013 and approved the consolidated financial statements of the Group for the year 31 December 2013 and approve the recommendation of the Board of Directors not to distribute dividends to shareholders for the year ended 2013.

29- Dividends

The Board of Directors of the parent company suggested in the meeting 28 Jan 2014 cash dividend of 10 fils per share for the financial year ended 31 December 2013 , and this proposal is subject to approval by shareholders at the annual general assembly.