

**AREF Energy Holding Company K.S.C.
(Closed) and Subsidiaries**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2012



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AREF ENERGY HOLDING COMPANY K.S.C. (CLOSED)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Aref Energy Holding Company K.S.C. (Closed) ("the company") and its subsidiaries (collectively, "the group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 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.

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

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
AREF ENERGY HOLDING COMPANY K.S.C. (CLOSED) (continued)****Report on the Consolidated Financial Statements (continued)***Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Matters

Furthermore, in our 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 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 No 25 of 2012, and by the 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 No 25 of 2012, nor of the company's Articles of Association, have occurred during the year ended 31 December 2012 that might have had a material effect on the business of the company or on its financial position.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
ERNST & YOUNG
AL AIBAN, AL OSAIMI & PARTNERS



DR. SAUD HAMAD AL-HUMAYDI
LICENSE NO. 51 A
OF DR. SAUD HAMAD AL-HUMAYDI &
PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

30 January 2013
Kuwait

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2012

	Notes	2012 KD	2011 KD (Re-presented)
Revenues			
Contract revenue		4,719,635	9,116,824
Rendering of services		3,424,347	1,309,902
Sale of goods		464,328	371,858
Rental income		330,063	109,551
		<u>8,938,373</u>	<u>10,908,135</u>
Cost of revenue			
Contract costs		(7,552,228)	(13,911,428)
Cost of rendering of services		(3,603,203)	(1,255,408)
Cost of sale of goods		(403,973)	(317,366)
Cost of rental income		(81,670)	(54,189)
	3	<u>(11,641,074)</u>	<u>(15,538,391)</u>
Gross loss		<u>(2,702,701)</u>	<u>(4,630,256)</u>
Other income		287,619	474,619
Unrealised gain on financial assets at fair value through profit or loss	13	76,646	-
Rental income from investment property		415,804	516,182
Fair valuation gain on investment property		2,926,068	2,861,544
Staff costs		(2,248,661)	(2,315,787)
General and administration expenses		(1,985,594)	(2,243,495)
Dividend income		830,037	905,650
Impairment losses	4	(5,782,222)	(2,706,175)
Foreign exchange (loss) gain	5	(5,679,410)	177,920
Amortisation of intangible assets	9	(133,090)	(97,797)
Operating loss		<u>(13,995,504)</u>	<u>(7,057,595)</u>
Finance cost		(303,071)	(559,890)
Finance income		163,444	178,210
Share of results from associates	11	(124,389)	55,480
Write back of board of directors' remuneration		-	150,000
Loss for the year before taxation		<u>(14,259,520)</u>	<u>(7,233,795)</u>
Taxation on foreign operations		(31,752)	(81,230)
Loss for the year		<u>(14,291,272)</u>	<u>(7,315,025)</u>
Attributable to:			
Equity holders of the company		(9,961,286)	(5,113,572)
Non-controlling interests		(4,329,986)	(2,201,453)
Loss for the year		<u>(14,291,272)</u>	<u>(7,315,025)</u>
Basic and diluted loss per share attributable to equity holders of the company	6	<u>(13.3) fils</u>	<u>(6.8) fils</u>

The attached notes 1 to 25 form part of these consolidated financial statements

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012 KD	2011 KD
Loss for the year	(14,291,272)	(7,315,025)
Cumulative changes in fair values	40,001	25,345
Foreign currency translation adjustment	6,173,385	(2,646,401)
Other comprehensive income (loss) for the year	6,213,386	(2,621,056)
Total comprehensive loss for the year	(8,077,886)	(9,936,081)
Attributable to:		
Equity holders of the company	(5,955,047)	(6,791,029)
Non-controlling interests	(2,122,839)	(3,145,052)
Total comprehensive loss for the year	(8,077,886)	(9,936,081)

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 KD	2011 KD
ASSETS			
Non-current assets			
Property and equipment	8	6,415,904	3,218,582
Intangible assets	9	848,382	942,584
Investment property	10	7,676,967	-
Other assets		1,316,899	-
Investment in associates	11	3,660,103	3,373,556
Financial assets available for sale	12	35,534,351	35,115,600
Financial asset at fair value through profit or loss	13	5,048,469	-
		60,501,075	42,650,322
Current assets			
Inventories		1,011,925	184,011
Accounts receivable and other assets	14	11,580,186	1,110,628
Bank balances, deposits and cash	15	9,766,931	18,408,063
		22,359,042	19,702,702
Assets classified as held for sale	7	-	30,432,326
		22,359,042	50,135,028
TOTAL ASSETS		82,860,117	92,785,350
EQUITY AND LIABILITIES			
Equity			
Share capital	16	75,000,000	75,000,000
Share premium	17	193,550	193,550
Statutory reserve	17	472,723	472,723
Voluntary reserve	17	314,957	314,957
Other reserves	7	(232,633)	-
Foreign currency translation reserve		598,961	129,230
Accumulated losses		(14,371,425)	(4,410,139)
Cumulative changes in fair values		25,701	-
Reserves of a disposal group classified as held for sale	7	-	(3,510,807)
Equity attributable to equity holders of the company		62,001,834	68,189,514
Non-controlling interests		4,154,652	640,868
Non-controlling interests relating to a disposal group		-	5,433,443
Total equity		66,156,486	74,263,825
Non-current liabilities			
Employees' end of service benefits		372,098	258,794
Liabilities against assets subject to finance lease		296,060	3,191
		668,158	261,985
Current liabilities			
Accounts payable and other liabilities	18	11,974,024	740,909
Current portion of liabilities against assets subject to finance lease		272,493	3,926
Bank overdrafts	15	1,159,653	475,029
Murabaha payables	19	2,629,303	2,613,252
		16,035,473	3,833,116
Liabilities directly associated with the assets classified as held for sale	7	-	14,426,424
		16,035,473	18,259,540
Total liabilities		16,703,631	18,521,525
TOTAL EQUITY AND LIABILITIES		82,860,117	92,785,350

Walid K. Al-Hashash
Chairman

Tareq Al-Wazzan
Managing Director & CEO

The attached notes 1 to 25 form part of these consolidated financial statements

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Notes	2012 KD	2011 KD
OPERATING ACTIVITIES			
Loss for the year		(14,291,272)	(7,315,025)
Adjustments for:			
Unrealised gain on financial assets at fair value through profit or loss		(76,646)	-
Rental income from investment property		(415,804)	(516,182)
Share of results from associates	11	124,389	(55,480)
Gain on disposal of property and equipment		(178,143)	(231,419)
Dividend income		(830,037)	(905,650)
Fair valuation gain on investment property	10	(2,926,068)	(2,861,544)
Depreciation	8	1,704,280	2,857,923
Amortisation of intangible assets	9	133,090	97,797
Impairment losses included in cost of revenue		1,910,123	4,078,009
Impairment losses		5,782,222	2,706,175
Provision for employees' end of service benefits		112,309	167,824
Foreign exchange loss		11,300,489	-
Provision for taxation		31,752	81,230
Finance costs		303,071	559,890
Working capital changes:		2,683,755	(1,336,452)
Inventories		551,310	464,652
Accounts receivable and other assets		(4,988,189)	6,870,485
Accounts payable and other liabilities		(1,893,726)	(4,940,764)
Cash (used in) from operating activities		(3,646,850)	1,057,921
Employees' end of service benefits paid		(167,052)	(67,738)
Taxes paid		(51,093)	(82,273)
Net cash (used in) from operating activities		(3,864,995)	907,910
INVESTING ACTIVITIES			
Purchase of property and equipment	8	(1,596,172)	(1,864,486)
Proceed from disposal of property and equipment		289,540	407,242
Purchase of financial assets at fair value through profit or loss		(4,971,823)	-
Purchase of intangible assets		(35,025)	-
Rental income from investment property		415,804	516,182
Purchase of additional shares in subsidiary		(29,453)	-
Investment in associates	11	(126,270)	(36,655)
Dividend income from associates		44,940	-
Other dividend income		830,037	905,650
Investment in wakala deposits		-	(5,754,300)
Withdrawal from wakala deposits		4,450,400	-
Decrease in restricted bank balances and deposits		173,258	295,913
Net cash used in investing activities		(554,764)	(5,530,454)
FINANCING ACTIVITIES			
Finance costs paid		(233,901)	(266,268)
Net cash out on acquisition of subsidiaries		-	(67,582)
Repayment of Murabaha payables		(160,489)	(3,416,973)
Repayment of assets subject to finance lease		(516,216)	(3,617,777)
Net cash used in financing activities		(910,606)	(7,368,600)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		(5,330,365)	(11,991,144)
Cash and cash equivalents at the beginning of the year		199,128	(57,425)
		10,433,542	22,482,111
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	15	5,302,305	10,433,542

The attached notes 1 to 25 form part of these consolidated financial statements

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Attributable to equity holders of the company												
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Other reserve KD	Foreign currency translation reserve KD	(Accumulated losses) KD	Cumulative changes in fair values KD	Reserves of a disposal group classified as held for sale KD	Sub-total KD	Non-controlling interests KD	Non-controlling interests relating to disposal group KD	Total equity KD
Balance at 1 January 2012	75,000,000	193,550	472,723	314,957	-	129,230	(4,410,139)	-	(3,510,807)	68,189,514	640,868	5,433,443	74,263,825
Loss for the year	-	-	-	-	-	-	(9,961,286)	-	-	(9,961,286)	(4,329,986)	-	(14,291,272)
Other comprehensive income (loss) for the year	-	-	-	-	-	4,020,744	-	(14,505)	-	4,006,239	2,207,147	-	6,213,386
Total comprehensive income (loss) for the year	-	-	-	-	-	4,020,744	(9,961,286)	(14,505)	-	(5,955,047)	(2,122,839)	-	(8,077,886)
Cessation of discontinued operation (Note 7)	-	-	-	-	-	(3,551,013)	-	40,206	3,510,807	-	-	-	-
Purchase of additional interest in a subsidiary (Note 7)	-	-	-	-	(232,633)	-	-	-	-	(232,633)	203,180	-	(29,453)
Transfer relating to cessation of discontinued operation	-	-	-	-	-	-	-	-	-	-	5,433,443	(5,433,443)	-
Balance at 31 December 2012	75,000,000	193,550	472,723	314,957	(232,633)	598,961	(14,371,425)	25,701	-	62,001,834	4,154,652	-	66,156,486

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to equity holders of the company											
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	(Accumulated losses) retained earnings KD	Cumulative changes in fair values KD	Reserves of a disposal group classified as held for sale KD	Sub-total KD	Non-controlling interests KD	Non-controlling interests relating to disposal group KD	Total equity KD
Balance at 1 January 2011	75,000,000	193,550	461,295	314,957	(1,728,042)	714,861	23,922	-	74,980,543	8,600,633	-	83,581,176
Loss for the year	-	-	-	-	-	(5,113,572)	-	-	(5,113,572)	(2,201,453)	-	(7,315,025)
Other Comprehensive loss for the year	-	-	-	-	(1,693,741)	-	16,284	-	(1,677,457)	(943,599)	-	(2,621,056)
Total Comprehensive (loss) income for the year	-	-	-	-	(1,693,741)	(5,113,572)	16,284	-	(6,791,029)	(3,145,052)	-	(9,936,081)
Discontinued Operation (Note 7)	-	-	-	-	3,551,013	-	(40,206)	(3,510,807)	-	-	-	-
Transfer to reserves	-	-	11,428	-	-	(11,428)	-	-	-	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	618,730	-	618,730
Transfer relating to disposal group	-	-	-	-	-	-	-	-	-	(5,433,443)	5,433,443	-
Balance at 31 December 2011	75,000,000	193,550	472,723	314,957	129,230	(4,410,139)	-	(3,510,807)	68,189,514	640,868	5,433,443	74,263,825

The attached notes 1 to 25 form part of these consolidated financial statements

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

1 CORPORATE INFORMATION

Aref Energy Holding Company K.S.C. (Closed) ("the company") is a Kuwaiti shareholding company registered in Kuwait on 1 October 1996 and is listed on the Kuwait Stock Exchange. The registered office of the company is located at P.O. Box 21909, Safat 13080, Kuwait. The company carries out its activities as per Islamic Shari'ah.

The consolidated financial statements of the company and its subsidiaries ("the group") for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 30 January 2013 and are subject to the approval of the Ordinary General Assembly of the shareholders' of the company. The Ordinary General Assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

The company carries out its activities as per Islamic Shari'ah. The principal activities of the group are explained in Note 21.

The company is a subsidiary of Development Enterprise Holding Company K.S.C. (Closed) ("DEH") ("the Parent Company"), and DEH is a subsidiary of Kuwait Finance House ("the Ultimate Parent Company").

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

Measurement basis

The consolidated financial statements have been prepared under the historical cost convention except for the measurement at fair value of financial assets at fair value through profit or loss, financial assets available for sale and investment property.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments to IFRS, relevant to the group, effective as of 1 January 2012. The adoption of the standards or interpretations is described below:

IFRS 3: Business Combinations (Amendment) (effective 1 July 2011)

The measurement options available for non controlling interest have been amended. Only components of non controlling interest that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value. The amendment has no effect on the consolidated financial statements of the group.

IFRS 7: Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements (Amendment) (effective 1 July 2011)

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, such involvements. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the group's financial position or performance.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the group's financial statements are disclosed below. The group intends to adopt these standards, if applicable, when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available for sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the group's first annual report after becoming effective.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investments in Associates*, has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation – Special Purpose Entities*.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Annual Improvements May 2012

These improvements will not have an impact on the group, but include:

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 December 2012. Subsidiaries are those enterprises which are controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements on a line by line basis from the date that control is effective until the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the company, using consistent accounting policies. All material intra group balances, transactions, unrealised gains and losses resulting from intra group transactions are eliminated on consolidation.

Non-controlling interests represent the net assets (excluding goodwill) of consolidated subsidiaries not attributable directly, or indirectly, to the equity holders of the company. Equity and net income attributable to non-controlling interests are shown separately in the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity.

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Losses within a subsidiary are attributed to the non-controlling interest 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 statement of income
- Reclassifies the Parent's share of components previously recognised in other comprehensive income to consolidated statement of income or retained earnings, as appropriate.

The consolidated financial statements include the financial statements of the company and the following major subsidiaries:

Name of company	Country of incorporation	Effective interest at		Principal Activities
		2012	2011	
Higleig Petroleum Services & Investment Company Ltd. ("Higleig")*	Sudan	64.25	64.25	Contracting
Khalifa Daij Al Dabbous and Brothers Company - W.L.L. ("KDDB")	Kuwait	80.00	80.00	General trading and contracting
Al Meshari Heavy Equipment Trading L.L.C. ("Al-Meshari")	Dubai (UAE)	51.00	51.00	Trading and rental of construction equipment and machinery and loading and lifting equipment.
Nordic Energy FZC ("NES")	Ras Al Khaimah (UAE)	87.50	75.00	Trading in oilfield & well drilling equipments and spare parts.
Nordic Intervention Services L.L.C ("NIS")	Dubai (UAE)	100	100	Administrative and support services for Nordic Energy FZC.
AREF Energy Global Ltd	Cayman Islands	100	100	Investing activities.
AREF Energy International Ltd ('AEIL')**	Cayman Islands	100	-	Investing activities.

* During the year ended 31 December 2011, Higleig was classified as a disposal group held for sale and disclosed as a discontinued operation as per International Financial Reporting Standard 5: Non-current Assets held for sale and discontinued operations (Note 7). During the current year the proposed sale of Higleig was cancelled hence consolidated to the Group.

**AEIL was newly incorporated in the current year.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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 and excluding taxes or duty. 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 following specific recognition criteria must also be met before revenue is recognised:

Construction contracts

The group principally operates fixed price contracts, if the outcome of such a contract can be reliably measured, revenue associated with the construction contract is recognised by reference to the stage of completion of the contract activity at year end (the percentage of completion method).

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable. In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date and the estimated costs to complete.

Contract revenue — Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue, and they can be reliably measured.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Contract costs — Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

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.

Rendering of services

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date.

Rental income

Rental income arising from operating leases on investment property is accounted for on a straight line basis over the term of the lease.

Dividend income

Dividend income is recognised when the Group's right to receive payment is established, which is generally when shareholders approve the dividend.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of profit and other costs that an entity incurs in connection with the borrowing of funds.

The group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 January 2009. The group continues to expense borrowing costs relating to construction projects that commenced prior to 1 January 2009.

Taxation

National Labour Support Tax (NLST)

The 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 period. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

Zakat

Contribution to Zakat is calculated at 1% of the profit of the group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and / or accumulated impairment losses, if any. An item of property and equipment initially recognised is derecognised upon disposal when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Freehold land is not depreciated. Depreciation on other property and equipment is computed on a straight-line basis over the estimated useful lives as follows:

Leasehold properties	3 to 20 years
Buildings	12 to 14 years
Furniture, fixtures and office equipments	2 to 7 years
Motor vehicles and equipments	4 to 10 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property and equipment.

Leasehold improvements and fittings in rented property are depreciated over the duration term of the corresponding rent contracts or the period of useful life, if shorter.

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

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

Intangible assets

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

The useful lives of intangible assets are assessed to be 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 assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are 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 are considered to modify 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 statement of income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 statement of income when the asset is derecognised.

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES(continued)

Investment property

Investment property is measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date that is determined based on the lower of two valuations performed by independent valuers using valuation methods consistent with the nature and usage of the investment property. Gains or losses arising from changes in the fair values of investment property is included in the consolidated statement of income in the year in which they arise.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the year of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Investment in associates

The group's investments in its associates are accounted for under the equity method of accounting. An associate is an entity in which the group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised nor separately tested for impairment.

The consolidated statement of income reflects the group's share of the results of operations of the associate. Where there has been a change recognised directly in the other comprehensive income of the associate, the group recognises its share of any changes and discloses this, when applicable, in other comprehensive income. Unrealised gains and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associates and the group are identical for the effects of significant transactions or events that occur between that date and the date of the group's consolidated financial statements. The associate's accounting policies conform to those used by the group for like transactions and events in similar circumstances.

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss on the group's investment in its associates. The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated income statement.

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 such indication exists, or when annual impairment testing for an asset is required, the group estimates of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or a cash-generating unit's fair value less costs to sell and its value in use. Recoverable amount 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 and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. When the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount by recognising impairment loss in the consolidated statement of income.

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 (or cash-generating unit). In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

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 recoverable amount is the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Financial assets and liabilities

The group classifies its financial assets and liabilities as "financial assets at fair value through profit or loss", "loans and receivables", financial assets available for sale" and "financial liabilities other than at fair value through profit or loss". The group determines the classification of financial assets and liabilities at initial recognition.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as "financial assets at fair value through profit or loss", "financial assets available for sale" and "loans and receivables". The group determines the classification of financial assets at initial recognition.

All financial assets are initially recognised at fair value plus transaction costs, except in the case of investments recorded at fair value through profit or loss.

Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way purchases) are recognised on trade date, i.e., the date that the group commits to purchase or sell the asset.

The group's financial assets include cash and cash equivalents, trade and other receivables and quoted and unquoted financial instruments.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at fair value through profit or loss (continued)

Non-trading financial assets may be designated at initial recognition as financial assets designated as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented investment and risk management strategy.

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

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with gains and losses recognised in the consolidated statement of income. As at 31 December 2012, the group has no financial assets that are held for trading (31 December 2011: Nil).

Financial assets available for sale

Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as "financial assets at fair value through profit or loss" and "loans and receivables".

After initial recognition, financial assets available for sale are measured at fair value with gains and losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is recognised in the consolidated statement of income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective profit method less any allowance for impairment. Amortised cost is calculated by taking into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective profit rate. The effective profit rate amortisation is included in finance income in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

Derecognition of financial assets

A financial asset (in whole or in part) is derecognised either when:

- the contractual rights to receive the cash flows from the asset have expired;
- the group retains the right to receive the cash flows from the assets, but has assumed an obligation to pay them 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 ownership of the asset, but has transferred control of the asset.

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Financial assets (continued)

Impairment of financial assets

The group assesses, at each reporting date whether there is 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, 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 profit or principal payments, the probability that they will enter bankruptcy or other financial re-organisation 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.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective profit rate. If a loan has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of income. Assets together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the related account in the consolidated statement of income.

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. 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 statement of income is removed from the consolidated statement of comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as "Financial liabilities other than at fair value through profit or loss" and "loans and borrowings". The group determines the classification of its financial liabilities at initial recognition.

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

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Initial recognition and measurement (continued)

The group's financial liabilities include trade and other payables, murabaha payables and liabilities against assets subject to finance lease.

Subsequent measurement

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

Accounts payable and accruals

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

Murabaha payable

Murabaha payable represents the amount payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payable is stated at the gross amount of the payable, net of deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Derecognition of financial liabilities

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 statement of income.

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.

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 or dealer price quotations (bid price for long positions and ask price for short positions), 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; discounted cash flow analysis or other valuation models.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in process comprises the cost of raw materials, consumables and supplies, direct labour costs, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The amount of impairment loss is recognised in the consolidated statement of income under cost of sale of goods. Reversals of such impairments resulting from an increase in the net sales value are recorded as a reduction in the cost of materials in the period in which the reversal occurs.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for 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 or assets, even if that right is not explicitly specified in an arrangement.

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee

Finance leases, which transfer to the group substantially all the risks and benefits incidental to the ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant periodic rate of profit on the remaining balance of the liability. Finance charges are recognised in the consolidated statement of income.

Leased assets are depreciated on a straight line basis over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Group as a lessor

Leases in which the group does not transfer substantially all the risks and benefits of ownership of an 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 basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash and short term deposits with an original maturity of three months or less, net of outstanding bank overdrafts, if any.

Foreign currencies

The group's consolidated financial statements are presented in Kuwaiti Dinars, which is also the company's functional currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by group entities at their respective functional currency spot rates prevailing at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange prevailing at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income).

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Group companies

Assets including goodwill and liabilities, both monetary and non-monetary, of foreign operations are translated at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average exchange rates for the year except when there is a significant fluctuation in the exchange rate, period average is considered. The resulting exchange differences are accumulated in a separate section of consolidated statement of comprehensive income "foreign currency translation reserve" until the disposal of the foreign operation upon which the component of foreign currency translation reserve relating to that particular foreign operation is recognised in the consolidated statement of income.

Segment reporting

A segment is a distinguishable component of the group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the company to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

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. Where the group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employees' end of service benefits

Provision is made for amounts payable to employees under the Kuwaiti Labour Law, employee contracts and applicable labour laws in the countries where the subsidiaries operate. The expected costs of these benefits are accrued over the period of employment. The group also contributes to the government defined contribution plan for its Kuwaiti employees in accordance with the legal requirements in Kuwait.

In case of arrangements where the payment of end of service benefits is reimbursed by the counter party, the group recorded the related amount as other receivable.

Contingencies

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

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

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Judgments

In the process of applying the group's accounting policies, management has made the following judgments, which have the most significant effect in the amounts recognised in the consolidated financial statements.

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Impairment of financial assets available for sale

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

Classification of investments

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

Finance lease

The group has entered into a sale and lease back transaction with a related party. The group has determined, based on evaluation of the terms and conditions of the arrangements and classified the lease as finance lease.

Estimated cost on uncompleted contracts

Revenue from installation contracts is measured by reference to the percentage of costs incurred to the estimated total costs for each contract applied to the estimated contract revenue, and reduced by the proportion of revenue previously recognised. This requires the management to use judgment in the estimation of the total cost expected to complete each contract.

Profit on uncompleted contracts

Profit on uncompleted contracts is only recognised when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. This requires the company's management to determine the level at which reasonable estimates can be reached.

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 discussed below:

Impairment of goodwill

The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment losses of receivables

An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

Impairment of property and equipment and intangible assets

The carrying amounts of the group's assets are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the consolidated statement of income whenever the carrying amount of an asset exceeds its recoverable amount.

Useful lives of property and equipment and intangible assets

The management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation and amortisation. 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 and amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Valuation of unquoted financial assets

Valuation of unquoted equity financial assets 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;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; and
- Other valuation models.

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

3 COST OF REVENUE

- a) The cost of revenue in the consolidated statement of income includes the following amounts:

	2012 KD	2011 KD
Depreciation	1,540,504	2,657,848
Impairment on property and equipment	1,241,887	3,855,859
Impairment on inventories	668,236	222,150
Rental expense	856,536	185,777
Expected losses on construction contracts	710,002	579,337

- b) Contract costs includes KD 773,038 that represents 97.5% of the contract revenue earned during the year, by one of the subsidiaries, from a project that has been sub contracted to a third party.

4 IMPAIRMENT LOSSES

	2012 KD	2011 KD
Impairment loss on accounts receivables (Note 14)	(5,279,310)	(2,706,175)
Impairment loss on investment in associates (Note 11)	(498,931)	-
Impairment loss on financial assets available for sale	(3,981)	-
	<u>(5,782,222)</u>	<u>(2,706,175)</u>

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

5 FOREIGN EXCHANGE (LOSS) GAIN

The foreign exchange loss, for the current year, is arising mainly due to the impact of significant devaluation in one of the subsidiary's functional currency during the year.

6 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss attributable to equity holders of the company for the year by the weighted average number of shares outstanding during the year, as follows:

	2012	2011
Loss for the year attributable to equity holders of the company (KD)	(9,961,286)	(5,113,572)
Weighted average number of shares outstanding during the year	750,000,000	750,000,000
Basic and diluted loss per share	(13.3) fils	(6.8) fils

7 SUBSIDIARIES

(i) Additional shares purchased in a subsidiary

On 9 September 2012, the group acquired additional 12.5% of Nordic Energy FZC ("Nordic") increasing its ownership interest to 87.5%. Cash consideration of KD 29,453 was paid to the non-controlling shareholders. The carrying value of the net assets of Nordic at the acquisition date was a deficit of KD 1,625,439 and the carrying value of the additional interest acquired was at a deficit of KD 203,180. The difference of KD 232,633 between the consideration paid and the carrying value of the interest acquired has been recognized in other reserves within equity.

(ii) Cessation of discontinued operations (discontinued operation)

As on 31 December 2011, the management of the company had committed to a plan to sell 52.04% equity interest in Higlieg Petroleum Services & Investment Company Ltd (Higlieg). As a result, Higlieg was classified as a disposal group held for sale and disclosed as a discontinued operation as per International Financial Reporting Standard 5: Non-current assets held for sale and discontinued operations for the year ended 31 December 2011.

During the current year, the proposed agreement for the sale of Higlieg between the company and the potential buyer was cancelled due to the significant devaluation of the functional currency of Higlieg and as a result, Higlieg has been consolidated as a subsidiary for the year ended 31 December 2012 and accordingly the comparative amounts in the consolidated statement of income have been re-presented to give effect of the consolidation of Higlieg.

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

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7 SUBSIDIARIES (continued)

(ii) Cessation of discontinued operations (discontinued operation) (continued)

The results of Higleg for the year ended 31 December are as follows:

	2012 KD	2011 KD
Revenues	3,750,891	9,116,824
Cost of revenue	(6,363,177)	(13,911,428)
Gross loss	(2,612,286)	(4,794,604)
Other income	233,694	447,814
Rental income from investment property	415,804	516,182
Fair valuation gain on investment property	2,926,068	2,861,544
Staff costs	(803,414)	(1,251,092)
General and administration expenses	(668,094)	(1,012,335)
Dividend income	13,192	5,650
Impairment losses	(5,631,411)	(2,648,337)
Foreign exchange (loss) gain	(5,802,367)	463,061
Operating loss	(11,928,814)	(5,412,117)
Finance cost	(142,046)	(389,775)
Share of results from associates	203,708	284,646
Loss before tax	(11,867,152)	(5,517,246)
Taxation	(31,752)	(57,121)
Loss for the year	(11,898,904)	(5,574,367)

The assets and liabilities of Higleg classified as held for sale as at 31 December 2011 were as follows:

	2011 KD
Assets	
Property and equipment (Note 8)	6,135,384
Investment property (Note 10)	7,751,803
Investment in associates (Note 11)	1,400,008
Financial assets available for sale	625,097
Inventories	1,831,554
Accounts receivable and other assets	12,259,341
Cash and bank balances (Note 15)	429,139
Assets classified as held for sale	30,432,326
Liabilities	
Employees' end of service benefits	(133,902)
Liabilities against assets subject to finance lease	(826,059)
Accounts payable and other liabilities	(13,107,500)
Current portion of liabilities against assets subject to finance lease	(251,593)
Murabaha payables	(107,370)
Liabilities directly associated with the assets classified as held for sale	(14,426,424)
Net assets directly associated with disposal group	16,005,902
Reserves of disposal group classified as held for sale:	
Cumulative changes in fair value	40,206
Foreign currency translation reserve	(3,551,013)
	(3,510,807)

AREF Energy Holding Company K.S.C. (Closed) and its Subsidiaries

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8 PROPERTY AND EQUIPMENT

	Land KD	Leasehold properties KD	Furniture, fixtures and office equipments KD	Motor vehicles and equipments KD	Work in progress KD	Total KD
Cost:						
At 1 January 2012	1,230,000	149,024	169,960	1,769,894	1,454	3,320,332
Additions	-	34,752	99,008	1,462,412	-	1,596,172
Disposals	-	(3,274)	(172)	(668,444)	-	(671,890)
Cessation of discontinued operation (Note 7)	-	1,555,209	43,704	14,336,204	109,095	16,044,212
Reclassification	-	-	1,454	-	(1,454)	-
Foreign currency translation adjustment	-	(615,253)	(22,047)	(6,717,178)	(42,297)	(7,396,775)
At 31 December 2012	1,230,000	1,120,458	291,907	10,182,888	66,798	12,892,051
Depreciation:						
At 1 January 2012	-	4,087	72,201	25,462	-	101,750
Charge for the year	-	94,930	53,766	1,555,584	-	1,704,280
Impairment	-	-	-	1,241,887	-	1,241,887
Disposal	-	(3,210)	(75)	(557,208)	-	(560,493)
Transfers	-	-	-	-	-	-
Cessation of discontinued operation (Note 7)	-	278,623	4,638	9,625,567	-	9,908,828
Foreign currency translation adjustment	-	(88,816)	(9,006)	(5,822,283)	-	(5,920,105)
At 31 December 2012	-	285,614	121,524	6,069,009	-	6,476,147
Net carrying value:						
At 31 December 2012	1,230,000	834,844	170,383	4,113,879	66,798	6,415,904

Land above is in Kuwait with a market value as at 31 December 2012 of KD 1,625,000 (2011: KD 1,475,000). Notwithstanding the contractual term of the lease, management considers that, based on market experience, the lease is renewable indefinitely, at similar nominal rates of ground rent, and with no premium payable for renewal of the lease and, consequently, as is common practice in the State of Kuwait, these leases have been accounted for as freehold land.

AREF Energy Holding Company K.S.C. (Closed) and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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8 PROPERTY AND EQUIPMENT (continued)

	Land KD	Leasehold properties KD	Furniture, fixtures and office equipments KD	Motor vehicles and equipments KD	Work in progress KD	Total KD
Cost:						
At 1 January 2011	1,230,000	1,704,842	221,916	19,578,122	118,397	22,853,277
Additions	-	145,800	58,945	1,653,389	6,352	1,864,486
Arising on acquisition of subsidiaries	-	3,244	805	167,129	-	171,178
Disposals	-	-	-	(1,324,524)	-	(1,324,524)
Discontinued operation (Note 7)	-	(1,555,209)	(107,991)	(14,271,917)	(109,095)	(16,044,212)
Foreign currency translation adjustment	-	(149,653)	(3,715)	(4,032,305)	(14,200)	(4,199,873)
At 31 December 2011	1,230,000	149,024	169,960	1,769,894	1,454	3,320,332
Depreciation:						
At 1 January 2011	-	233,836	38,710	6,763,335	-	7,035,881
Charge for the year	-	106,768	39,655	2,711,500	-	2,857,923
Impairment	-	-	-	3,855,859	-	3,855,859
Disposal	-	-	-	(1,148,701)	-	(1,148,701)
Transfers	-	-	-	-	-	-
Discontinued operation (Note 7)	-	(278,623)	(4,638)	(9,625,567)	-	(9,908,828)
Foreign currency translation adjustment	-	(57,894)	(1,526)	(2,530,964)	-	(2,590,384)
At 31 December 2011	-	4,087	72,201	25,462	-	101,750
Net carrying value:						
At 31 December 2011	1,230,000	144,937	97,759	1,744,432	1,454	3,218,582

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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8 PROPERTY AND EQUIPMENT (continued)

Depreciation charge for the year is allocated as follows:

	2012 KD	2011 KD
Cost of revenue	1,540,504	2,657,848
General and administration expenses	163,776	200,075
	<u>1,704,280</u>	<u>2,857,923</u>

9 INTANGIBLE ASSETS

	Goodwill KD	Other intangible assets KD	Total KD
Cost:			
At 1 January 2012	366,518	1,555,181	1,921,699
Additions	-	35,025	35,025
Foreign currency translation adjustment	3,863	-	3,863
At 31 December 2012	<u>370,381</u>	<u>1,590,206</u>	<u>1,960,587</u>
Amortisation and impairment:			
At 1 January 2012	-	(979,115)	(979,115)
Charge for the year	-	(133,090)	(133,090)
At 31 December 2012	<u>-</u>	<u>(1,112,205)</u>	<u>(1,112,205)</u>
Net carrying value:			
At 31 December 2012	<u>370,381</u>	<u>478,001</u>	<u>848,382</u>

	Goodwill KD	Other intangible assets KD	Total KD
Cost:			
At 1 January 2011	-	1,555,181	1,555,181
Arising on acquisition of subsidiaries	366,135	-	366,135
Foreign currency translation adjustment	383	-	383
At 31 December 2011	<u>366,518</u>	<u>1,555,181</u>	<u>1,921,699</u>
Amortisation:			
At 1 January 2011	-	(881,318)	(881,318)
Charge for the year	-	(97,797)	(97,797)
At 31 December 2011	<u>-</u>	<u>(979,115)</u>	<u>(979,115)</u>
Net carrying value:			
At 31 December 2011	<u>366,518</u>	<u>576,066</u>	<u>942,584</u>

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

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9 INTANGIBLE ASSETS (continued)

Other intangible assets comprise of licence to market a process developed by an associate in the Middle East & North Africa region and certain areas in Asia and have finite useful life upto 2017.

Impairment testing of goodwill

Key assumptions used in value in use calculations

The calculation of value in use for the cash-generating unit is most sensitive to the following assumptions:

- Gross margin;
- Discount rates and
- Growth rate to extrapolate cash flows beyond forecast period

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

10 INVESTMENT PROPERTY

	2012 KD	2011 KD
Opening balance	-	5,647,680
Cessation of discontinued operation (Note 7)	7,751,803	-
Fair valuation gain on investment property	2,926,068	2,861,544
Foreign currency translation adjustment	(3,000,904)	(757,421)
Discontinued operation (Note 7)	-	(7,751,803)
	<u>7,676,967</u>	<u>-</u>

Investment property is stated at fair value, which has been determined based on the lower of two valuations performed as at 31 December 2012 by accredited independent valuers who are the industry specialists in valuing this type of investment property.

11 INVESTMENT IN ASSOCIATES

	2012 KD	2011 KD
Opening balance	3,373,556	4,710,907
Cessation of discontinued operation (discontinued operation) (Note 7)	1,400,008	(1,400,008)
Arising on acquisition of a subsidiary	-	111,240
Additions	126,270	36,655
Share of results	(124,389)	55,480
Impairment (Note 4)	(498,931)	-
Dividend received	(44,940)	-
Foreign currency translation adjustment	(571,471)	(140,718)
Closing balance	<u>3,660,103</u>	<u>3,373,556</u>

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

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As at 31 December 2012

11 INVESTMENT IN ASSOCIATES (continued)

Summarised financial information of associates is as follows:

	2012 KD	2011 KD
Share of associates' statement of financial position:		
Total assets	5,071,451	3,498,197
Total liabilities	(1,411,348)	(124,641)
Net assets	3,660,103	3,373,556
Share of associates' revenue and results:		
Revenue	126,962	246,954
Results for the year	(124,389)	55,480

Name of the entity	Principal Activities	Country of incorporation	Effective interest 2012	Effective interest 2011	Carrying value 2012	Carrying value 2011
Synfuels International, Inc.	Oil and gas technology and services	U.S.A.	24.78%	25.01%	1,608,519	1,888,632
Al Dindir Petroleum International Company Limited *	Oil and gas technology and services	Sudan	50%	50%	561,568	-
Resource Development Group *	Oil & Gas Exploration	Sudan	50%	50%	83,824	-
Kitara OFIL Limited	Oil and gas technology and services	Mauritius	36.36%	36.36%	1,406,192	1,373,324
Eastbridge Aref Holding Company Limited	Investing activities	Cayman Islands	25%	25%	-	111,600
					3,660,103	3,373,556

* These associates relate to the subsidiary Higlieg which was classified as discontinued operations as at 31 December 2011 and consolidated in 31 December 2012. The carrying value of Al Dindir Petroleum International Company limited was KD 842,896 and Resource Development Group was KD 557,112 as at 31 December 2011.

Eastbridge Aref Holding Company Limited has not started its operations as at 31 December 2012 and based on management decision the investment was impaired in the current year.

All the associates are unquoted companies.

12 FINANCIAL ASSETS AVAILABLE FOR SALE

	2012 KD	2011 KD
Quoted equity securities	418,751	-
Unquoted equity securities	35,115,600	35,115,600
Total	35,534,351	35,115,600

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12 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

Unquoted equity securities amounting to KD 35,115,600 (2011: KD 35,115,600) are carried at cost due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value for these financial assets. Based on the currently available information, management believes that there are no indications of impairment in the value of these investments.

Financial assets available for sale with a net carrying value of KD 8,323,700 (2011: KD 8,323,700) is mortgaged as security against murabaha payables (Note 19).

13 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 KD	2011 KD
<i>Financial assets designated at fair value through profit or loss:</i>		
Investment in an unquoted fund	5,048,469	-

The investment in an unquoted fund is carried at net asset value provided by the fund manager. Unrealised gain on the financial asset designated at fair value through profit or loss amounted to KD 76,646.

The hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in Note 23.

14 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2012 KD	2011 KD
Trade accounts receivable	4,500,217	228,378
Retention receivables	3,308,227	-
Advances and prepayments	660,274	162,362
Amount due from related parties (Note 20)	1,600,622	422,692
Other receivables	1,510,846	297,196
	<u>11,580,186</u>	<u>1,110,628</u>

As at 31 December 2012, trade accounts receivable at nominal value of KD 5,285,585 (2011: KD 86,708) was impaired and provided for to the extent of KD 5,210,517 (2011: KD 57,838).

Movement in the allowance for impairment of trade accounts receivables is as follows:

	KD
At 1 January 2011	1,323,063
Charge for the year	1,246,621
Discontinued operations	(2,511,846)
At 31 December 2011	57,838
Cessation of discontinued operations	2,511,846
Charge for the year	2,640,833
At 31 December 2012	<u>5,210,517</u>

As at 31 December, the ageing of unimpaired trade accounts receivable is as follows:

	Neither past due nor impaired KD	Past due but not impaired			Total KD
		< 30 days KD	30 to 90 days KD	> 90 days KD	
2012	1,617,099	1,056,482	710,893	1,040,675	4,425,149
2011	100,518	23,510	34,773	40,707	199,508

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14 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

Unimpaired trade accounts receivable are expected, on the basis of past experience, to be fully recoverable.

Retention is stated net of impairment of KD 526,005 as at 31 December 2012 (2011: Nil).

Amounts due from related parties are stated net of impairment of KD 1,234,765 as at 31 December 2012 (2011: Nil).

Other receivables are stated net of impairment of KD 877,707 as at 31 December 2012 (2011: KD 1,459,554).

15 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include the following balances in the consolidated statement of financial position:

	2012 KD	2011 KD
Bank balances and cash	6,663,031	5,868,763
Wakala deposits	3,103,900	12,539,300
	<u>9,766,931</u>	<u>18,408,063</u>
Bank balances, deposits and cash	9,766,931	18,408,063
Add: Discontinued operation (Note 7)	-	429,139
Less: Bank overdrafts	(1,159,653)	(475,029)
Less: Restricted bank balances	(201,073)	(374,331)
Less: Wakala deposits with original maturity of more than 3 months	(3,103,900)	(7,554,300)
	<u>5,302,305</u>	<u>10,433,542</u>
Cash and cash equivalents for the purpose of consolidated statement of cash flows	5,302,305	10,433,542

Restricted bank balances represent margin deposits that are held as security against letters of guarantees (Note 20 and 22). Further, wakala deposits with original maturity of more than 3 months include KD 1,800,000 (2011: KD 1,800,000) that represent margin deposits that are held as security against the same letters of guarantee.

16 SHARE CAPITAL

The authorised, issued and fully paid up share capital of the company is KD 75,000,000 (2011: KD 75,000,000) consisting of 750,000,000 shares of 100 fils each (2011: 750,000,000 shares of 100 fils each), paid in cash.

17 RESERVES

Share premium

The share premium account is not available for distribution.

Statutory reserve

In accordance with the Law of Commercial Companies no transfer has been made to statutory reserve, since losses have been incurred during the year.

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

The annual general meeting of the shareholders held on 24 April 2011 approved the consolidated financial statements for the year ended 31 December 2010. The shareholders approved to transfer KD 11,428 from retained earnings to statutory reserve due to an error in the computation of statutory reserve for the year ended 31 December 2010. Accordingly, the amount has been transferred from the retained earnings to statutory reserve in 2011.

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17 RESERVES (continued)

Voluntary reserve

In accordance with the company's Articles of Association, 10% of the profit for the year attributable to shareholders of the company before contribution to KFAS, and provision for NLST, Zakat and Board of directors' remuneration is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the company's annual general meeting upon a recommendation by the Board of Directors. Voluntary reserve is available for distribution. No transfer has been made by the company as losses have been incurred during the year.

18 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2012 KD	2011 KD
Trade payable under construction contracts	6,439,136	406,650
Advances received from customers	2,491,982	16,050
Amount due to related parties (Note 20)	36,417	23,116
Provisions	1,479,782	200,749
Dividend payable	1,244,316	-
Other payables	282,391	94,344
	<u>11,974,024</u>	<u>740,909</u>

Dividend payable pertains to cash dividends approved by one of the subsidiaries on 19 September 2005 for the year ended 31 December 2004.

19 MURABAHA PAYABLES

Murabaha payables represent the value of assets purchased on a deferred settlement basis.

	2012 KD	2011 KD
Unsecured Murabaha	40,554	16,000
Secured Murabaha	2,588,749	2,597,252
	<u>2,629,303</u>	<u>2,613,252</u>

Secured murabaha payables represents facilities amounting to KD 2,588,749 (2011: KD 2,597,252) taken from a related party (Note 20). These facilities are secured against financial assets available for sale amounting to KD 8,323,700 (2011: KD 8,323,700 (Note 12)).

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20 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, associates, directors and key management personnel of the group and entities controlled, jointly controlled or significantly influenced by such parties. The terms of these transactions are approved by the company's management. Transactions with related parties are as follows:

	<i>Ultimate parent company KD</i>	<i>Other related parties KD</i>	2012 KD	2011 KD
Consolidated statement of financial position				
Bank balances and deposits	2,430,417	-	2,430,417	4,972,633
Accounts receivable and other assets (Note 14)	-	1,600,622	1,600,622	422,692
Assets classified as held for sale	-	-	-	1,955,495
Other assets*	-	1,180,780	1,180,780	-
Murabaha payables secured against:				
-Financial assets (Note 19)	2,588,749	-	2,588,749	2,597,252
Liabilities against assets subject to finance lease	-	554,166	554,166	-
Accounts payable and other liabilities (Note 18)	-	36,417	36,417	23,116
Liabilities directly associated with the assets classified as held for sale	-	-	-	1,100,672

*Other assets represent US Dollar denominated amounts advanced to an associate by one of the subsidiaries to fund the capital calls made by the investee company in the associate. Since these advances will eventually be converted to an investment in associate on completion of certain legal formalities, this amount has been classified under non-current assets and the exchange difference arising on translation of this balance has been recorded under foreign currency translation reserve within other comprehensive income.

Accounts receivable/payable from/to related parties are unsecured, free of finance charges and are receivable/payable on demand.

	<i>Ultimate parent company KD</i>	<i>Other related parties KD</i>	2012 KD	2011 KD
Consolidated statement of income				
Finance income	50,344	21,698	72,042	29,512
Murabaha finance cost	141,908	117,384	259,292	770,321
Brokerage fees	-	-	-	500

Key management compensation

Remuneration paid or accrued in relation to "key management" (deemed for this purpose to comprise Directors in relation to their committee service, the Chief Executive Officer and other Senior Officers) as follows:

	2012 KD	2011 KD
Short term employee benefits – including salary and bonus	815,798	632,720
End of service benefits	43,696	57,289
	859,494	690,009

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21 SEGMENTAL INFORMATION

For management reporting purpose the group is organised into business units based on products as follows:

- Energy and allied services: Exploration, drilling, development and production of oil and gas, alternate and renewable sources of energy, licensing and other activities related to the energy sector;
- Other: Investment and other related services

The Executive 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 profit or loss for the year and is measured consistently with total profit or loss in the consolidated statement of income.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

2012	<i>Energy and allied services KD</i>	<i>Others KD</i>	<i>Total KD</i>
Revenues	8,153,982	784,391	8,938,373
Results	(17,645,928)	3,354,656	(14,291,272)
Depreciation and amortization	1,753,336	84,034	1,837,370
Impairment losses	7,677,562	14,783	7,692,345
Assets and liabilities			
Segment assets	68,330,132	10,642,666	78,972,798
Investment in associates	3,887,319		3,887,319
Total assets	72,217,451	10,642,666	82,860,117
Total liabilities	14,539,331	2,164,300	16,703,631

Segment assets under the energy and others segment includes goodwill of KD 15,340 and KD 355,042 respectively (2011: KD 15,180 and KD 351,338) (Note 9).

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21 SEGMENTAL INFORMATION (continued)

2011	Energy and allied services KD	Others KD	Total KD
Revenues	10,426,726	481,409	10,908,135
Results	(10,567,532)	3,252,507	(7,315,025)
Depreciation and amortisation	2,909,501	46,219	2,955,720
Impairment losses	6,726,346	57,838	6,784,184
Assets and liabilities			
Segment assets	55,616,231	2,398,358	58,014,589
Investment in associates	4,338,435	-	4,338,435
Assets classified as held for sale	22,680,523	7,751,803	30,432,326
Total assets	82,635,189	10,150,161	92,785,350
Segment liabilities	3,535,755	559,346	4,095,101
Liabilities directly associated with the assets classified as held for sale	13,348,772	1,077,652	14,426,424
Total liabilities	16,884,527	1,636,998	18,521,525

The group also earns revenue and has assets mainly in two geographic markets; a) Kuwait and b) Middle East and North Africa (MENA). The following table shows the distribution of the group's segment revenues and non current assets by geographical segment:

2012

	Kuwait KD	MENA KD	Outside MENA KD	Total KD
Segment revenues	2,347,094	6,591,279	-	8,938,373
Non current assets	1,715,574	12,747,679	478,000	14,941,253

2011

	Kuwait KD	MENA KD	Outside MENA KD	Total KD
Segment revenues	1,309,902	9,598,233	-	10,908,135
Non current assets	1,311,831	2,273,269	576,066	4,161,166

Non current assets for this purpose consist of property and equipment, investment property and intangible assets.

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22 CAPITAL COMMITMENTS AND CONTINGENCIES

	2012 KD	2011 KD
Capital commitments		
Financial assets at fair value through profit or loss	312,701	-
Financial assets available for sale	6,759,000	6,696,000
Cash calls in an associate	1,164,568	-

At the reporting date, the group had contingent liabilities amounting to KD 2,266,938 (2011: KD 720,379) in respect of outstanding letters of credit and letters of guarantees. No material liabilities are anticipated to arise out of contingent liabilities. These letters of credit and letters of guarantee are partly secured by bank balances and deposits (Note 15).

23 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Fair values of all financial instruments are not materially different from their carrying values except financial assets available for sale carried at cost (Note 12). For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value.

This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

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: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 December 2012	Level: 1 KD	Level: 2 KD	Total fair Value KD
Financial assets at fair value through profit or loss:			
Investment in an unquoted fund	-	5,048,469	5,048,469
Financial assets available for sale:			
Quoted equity securities	418,751	-	418,751
	<u>418,751</u>	<u>5,048,469</u>	<u>5,467,220</u>

During the year ended 31 December 2012 and 31 December 2011, there were no transfers between Level 1 and Level 2 fair value measurements.

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24 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's risk management is carried out by investment and management committee and focuses on actively securing the group's short to medium term cash flows by minimizing the potential adverse effects on the group's financial performance through internal risk reports. The company's board of directors are ultimately responsible for the overall risk management and for approving risk strategies and principles.

The group is exposed to credit risk, liquidity risk, market risk, prepayment risk and operational risk. Market risk is subdivided into profit rate risk, foreign currency risk and equity price risk. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the group's strategic planning process.

24.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group's credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification.

With respect to credit risk arising from the other financial assets of the group, which comprise bank balances and other assets, the group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Maximum exposure to credit risk

The group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial instruments. The group bears credit risk on bank balances and accounts receivables.

The group seeks to limit its credit risk with respect to banks by only dealing with reputable banks, and with respect to customers by monitoring outstanding receivables on an ongoing basis. The five largest customers accounted for 62% (2011: 66%) (Government/government controlled entities 12% (2011: Nil) of the outstanding trade accounts receivable.

The table below shows the gross maximum exposure to credit risk across financial assets:

	2012 KD	2011 KD
Bank balances and deposits	9,761,539	18,407,530
Accounts receivable and other assets	10,919,913	948,266
Gross maximum credit risk exposure	<u>20,681,452</u>	<u>19,355,796</u>

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

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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24 RISK MANAGEMENT (continued)

24.1 Credit risk (continued)

Risk concentration of the 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 credit bearing assets can be analysed by the geographical regions and industry wise sector as follows:

	2012 KD	2011 KD
Geographic region:		
Kuwait	8,190,455	17,090,092
MENA	11,783,688	1,876,891
Outside MENA	707,309	388,813
	<u>20,681,452</u>	<u>19,355,796</u>
	2012 KD	2011 KD
Industry sector:		
Banks and financial institutions	9,761,539	18,407,530
Construction and real estate	9,018,399	100,518
Others	1,901,514	847,748
	<u>20,681,452</u>	<u>19,355,796</u>

Collateral and other credit enhancements

It is not the practice of the group to obtain collateral over trade accounts receivable.

24.2 Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, the company's management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents, and readily marketable securities.

The table below summarises the analysis of group's financial liabilities based on contractual undiscounted repayment obligations. The liquidity profile of financial liabilities reflects the projected cash flows which includes future profit payments over the life of these financial liabilities.

2012	On demand KD	Less than 1 year KD	More than 1 year KD	Total KD
Murabaha payable	16,000	2,637,123	-	2,653,123
Bank overdrafts	-	1,159,653	-	1,159,653
Liabilities against assets subject to finance lease	-	372,748	327,945	700,693
Accounts payable and other liabilities	1,516,200	10,457,824	-	11,974,024
	<u>1,532,200</u>	<u>14,627,348</u>	<u>327,945</u>	<u>16,487,493</u>
Capital commitments	<u>-</u>	<u>1,477,269</u>	<u>6,759,000</u>	<u>8,236,269</u>

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24 RISK MANAGEMENT (continued)

24.2 Liquidity risk (continued)

Risk concentration of the maximum exposure to credit risk (continued)

31 December 2011	<i>On demand KD</i>	<i>Less than 1 year KD</i>	<i>More than 1 year KD</i>	<i>Total KD</i>
Murabaha payable	16,000	2,650,411	-	2,666,411
Bank overdrafts	-	475,029	-	475,029
Liabilities against assets subject to finance lease	-	3,926	3,191	7,117
Accounts payable and other liabilities	101,343	639,566	-	740,909
	<u>117,343</u>	<u>3,768,932</u>	<u>3,191</u>	<u>3,889,466</u>
Capital commitments	-	-	6,696,000	6,696,000

24.3 MARKET RISK

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all financial assets traded in the market.

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

24.3.1 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates of Islamic financial instruments will affect future profitability of the group. Profit rate risk is managed by the treasury department of the company. The group is not significantly exposed to profit rate risk as a result of mismatches of profit rate repricing of assets and liabilities since it does not own significant floating rate Islamic financial assets and Islamic financial liabilities that could have a material impact on the group's results before taxes and Board of Directors' remuneration.

24.3.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The management monitors the open positions on an ongoing basis to ensure that they are maintained within established limits.

As at the reporting date the group had the following significant net asset exposures denominated in foreign currencies:

	<i>2012 KD</i>	<i>2011 KD</i>
US Dollar	7,743,763	17,466,157
Sudanese pounds	9,465,807	16,005,902
UAE Dirham	1,158,253	1,089,331

The group's exposure to other foreign currencies is not material to the consolidated financial statements.

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As at 31 December 2012

24 RISK MANAGEMENT (continued)

24.3.2 Currency risk (continued)

The effect on results before tax (due to change in the fair value of monetary assets and liabilities) and on the other comprehensive income, as a result of change in currency rate, with all other variables held constant is shown below as at 31 December:

	<i>31 December 2012</i> <i>Change in currency rate by 3%</i>		<i>31 December 2011</i> <i>Change in currency rate by 3%</i>	
	<i>Effect on other comprehensive income KD</i>	<i>Effect on results before taxation KD</i>	<i>Effect on other comprehensive income KD</i>	<i>Effect on results before taxation KD</i>
United State Dollar	217,610	14,703	92,722	431,263
Sudanese pounds	283,974	-	480,177	-
UAE Dirham	34,748	-	33,818	(1,139)

Sensitivity to currency rate movements is assumed to be on a symmetric basis and financial instruments giving rise to non-symmetric movements are not significant.

24.3.3 Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the group's investment portfolio. The group manages the risk by focusing on the long term holding of equity assets, keeping its exposure at an acceptable level and by continuously monitoring the markets.

The effect on other comprehensive income (as a result of a change in the fair value of financial assets available for sale) due to a 3% change in regional market indices, with all other variables held constant is not significant.

24.3.4 Prepayment risk

Prepayment risk is the risk that the group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The group is not significantly exposed to prepayment risk.

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 shareholders 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 years ended 31 December 2012 and 31 December 2011.

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25 CAPITAL MANAGEMENT (continued)

The group monitors capital on the basis of the gearing ratio which is total debt divided by total equity attributable to equity holders of the company. The group includes profit bearing murabaha payables (including deferred profit), bank overdraft and liabilities against assets subject to finance lease within total debt.

	2012 KD	2011 KD
Profit bearing murabaha payables	2,588,749	2,597,252
Deferred finance cost	48,374	53,159
Total liabilities against assets subject to finance lease	700,693	7,117
Bank overdraft	1,159,653	475,029
Liabilities directly associated with the assets classified as held for sale	-	1,509,514
Total debt	4,497,469	4,642,071
Equity attributable to the equity holders of the company	61,877,453	68,189,514
Gearing ratio	7.3 %	6.8%