



# ARAB MINING COMPANY

THIRTY SEVENTH ANNUAL REPORT

## 2011



ARAB MINING COMPANY  
THIRTY SEVENTH ANNUAL REPORT 2011



# ARAB MINING COMPANY

Arab Shareholding Company  
Established 1975  
Authorized, Subscribed & Paid Up Capital  
KWD 54.47 Million

---

## Head Office

Amman - The Hashemite Kingdom of Jordan

---

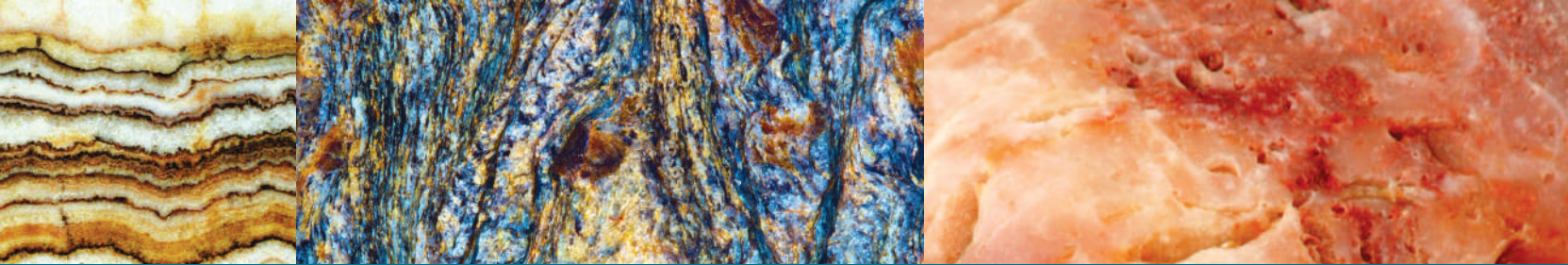
## Address

Shemeisani - 21 Prince Shaker Bin Zaid St.  
P.O.Box: 20198 Amman 11118  
Phone: (+962 6) 5664175, 5663146/8/9  
Fax: (+962 6) 5684114

---

**website:** [www.armico.com.jo](http://www.armico.com.jo)

**e-mail:** [armico@armico.com](mailto:armico@armico.com)



## ■ CONTENTS

The Thirty Seventh Annual Report 2011

Board of Directors	4
Introduction to ARMICO	6
Letter of the Chairman	8
Company Investment	10
Independent Auditors' Report and Financial Statements at 31/12/2011	11





## ■ BOARD OF DIRECTORS



Chairman of the Board  
Mr. Farraj Fahed Al-Mutairi



Vice - Chairman  
Dr. Ali Farhan Aldakheel

## DIRECTORS



Mr. Sultan Bin Jamal Shawli



Eng. Mohammed Ahmad Al-Shihhi



Mr. Saleh Ahmad Al-Mahmoudi



Mr. Mansour Bin Suliman Al-Mebrek



Dr. Khaldoun Subhi Al-Bassam



Eng. Adnan Ahmad Al-Rashdan



Eng. Ali Belgasem Edlew



Dr. Ismail Nasser Ali Al Ganad



Dr. Ahmad Tuhater Salman  
Al-Mashaqbah



General Manager  
Eng. Talal A. Al-Saadi



## CHAIRMAN OF THE BOARD

---

Mr. Farraj Fahed Al-Mutairi

Kuwait Investment Authority

## VICE CHAIRMAN

---

Dr.Ali Farhan Aldakheel

Republic of Iraq

Mrs. Haifa Abdul Hamid Al-Karadagi

Republic of Iraq (Until 16-3-2011)

## DIRECTORS

---

Mr. Saleh Ahmad Al-Mahmoudi

United Arab Emirates

Eng. Mohammed Ahmad Al-Shihhi

United Arab Emirates

Mr. Sultan Bin Jamal Shawli

Kingdom of Saudi Arabia

Mr. Mansour Bin Suliman Al-Mebrek

Kingdom of Saudi Arabia

Dr. Khaldoun Subhi Al-Bassam

Republic of Iraq (from 17/3/2011)

Eng. Adnan Ahmad Al Rashdan

Kuwait Investment Authority

Eng.Ali Belgasem Edlew

Libyan Foreign Investment Co.

Dr. Ismail Nasser Ali Al Ganad

Republic of Yemen

Dr.Ahmad Tuhater Salman Al-Mashaqbah

Ministry of Finance - Jordan

## GENERAL MANAGER

---

Eng. Talal A. Al-Saadi

## INDEPENDENT AUDITORS

---

Ernst & Young





## ■ INTRODUCTION

### Introduction to ARMICO

The Arab Mining Company was established pursuant to a Resolution by the Arab Economic Unity Council on 10/6/1974, with view to consolidating the Arab economic ties on bases of mutual cooperation for the utilization of mineral resources in diversified productive projects. This is vital in the realization of Arab economic integration.

The Memorandum of Association of the Company was signed on 1/2/1975 as an Arab shareholding company, open for subscription by Arab governments or Arab companies and institutions nominated by these governments. The Company's Articles of Association were ratified on 2/8/1975.

The Company established its headquarters in Amman, Jordan. It may establish branches, agencies or offices inside or outside the subscribing countries. It may also establish or participate in establishing other companies that enjoy independent legal entities in or outside subscribing states.

The Company shall engage in all technical industrial and commercial activities related to the mining industry, in particular the exploration, extraction, concentration, processing, transportation, marketing and manufacture.

Pursuant to a resolution by the Extraordinary Meeting of the General Assembly on 28/8/1994, the paid up capital of the company was fixed at KWD 54.47 million (5447 shares, KWD 10,000 each share) distributed as follows:



**Belt Conveyor to transfer raw material from mines to plant - Al Masane Al Kobra Mining Co. / Saudi Arabia**





General view of the plants - Arab Potash Company / Jordan

SHAREHOLDER	SUBSCRIBED SHARES	VALUE (KWD)	PERCENTAGE %
United Arab Emirates	1 100	11 ,000,000	20.20
Kingdom of Saudi Arabia	1 100	11 ,000,000	20.20
Republic of Iraq	1 100	11 ,000,000	20.20
Kuwait Investment Authority	1 100	11 ,000,000	20.20
Libyan foreign Investment Co.	550	5, 500 ,000	10.10
Arab Republic of Egypt	150	1, 500, 000	2.75
Republic of Yemen	78	780, 000	1.43
Arab Investment Company	60	600, 000	1.10
Office National Des Hydrocarbures et Des Mines- Morocco	60	600, 000	1.10
Ministry of Finance - Jordan	55	550, 000	1.00
Republic of Somalia	55	550, 000	1.00
Syrian Arab Republic	25	250, 000	0.46
Republic of Tunisia	6	60, 000	0.11
Islamic Republic of Mauritania	6	60, 000	0.11
Republic of Sudan	2	20, 000	0.04
TOTAL	5 447	54, 470 ,000	100.00



## ■ LETTER OF THE CHAIRMAN



Dear Shareholders,

Pursuant to the provisions of Articles (33) and (47) of the Articles of Association of the Company, and on behalf of the Board of Directors, I am pleased to welcome you to the annual ordinary General Assembly meeting of the Company for this year, and present to you the 37th Annual Report, which includes the results of the Company's performance and financial statements for the year ended 31/12 / 2011.

The Company was able to maintain the strength of its financial position and continued improvement in its performance during 2011, with net investment income of KWD 12 million compared to KWD 10 million in 2010. The net profit for the year amounted to KWD 10.6 million compared to KWD 9.4 million in 2010, the highest since the Company's foundation. In light of these good results, the Board of Directors decided to recommend to the General Assembly the distribution of 12.5% of the capital as cash dividends to shareholders for the year 2011, compared to 10% for the year 2010.

Moreover, the shareholders' equity rose from KWD 345 million in the year 2010 to KWD 350 million in the year 2011, while the retained earnings totalled about KWD 18.6 million compared to KWD 15.6 million in 2010.

In terms of the financial results of the investee companies, the Arab Potash Company in Jordan has achieved a net profit equivalent to KWD 118 million in 2011, as compared to KWD 64.6 million in 2010 and decided to distribute dividends to shareholders equal to 300% of the capital, of which the Company's share will be KWD 19.6 million. The Société Nationale Industrielle et Minière "SNIM" in Mauritania has achieved a net profit of KWD 232 million compared to KWD 160 million in 2010, and decided to distribute dividends amounting to KWD 58.1 million for the year 2011, of which the Company's share will be KWD 3.3 million.

The Arab Detergent Chemicals Company "Aradet" also achieved in 2011 net profit of KWD 2.2 million, compared to KWD 3.4 million in 2010. The lower profit is attributed to marketing difficulties of the company's products in Syria due to the disturbances that took place there. Aradet decided the distribution of dividends to shareholders amounting to KWD 2.5 million, of which the Company's share will be KWD 250 thousand.

The Gulf Stone Company "SOAG" in the Sultanate of Oman has achieved a net profit in 2011 amounting to KWD 336 thousand compared to KWD 281 thousand for the year 2010, and decided to distribute a share premium to shareholders equaling 10% of the capital. Accordingly the number of 33 million shares increased to 36,3 million shares of which the Company owns 25%.

The Industries Chimiques du Fluor "ICF" Company in Tunisia realized a loss in 2011 of KWD 449 thousand compared to a loss in 2010 of KWD 40 thousand. The cause of this loss is mainly due to the turmoil in the company's plant site, within the Tunisian Chemical Complex in Gabes, which started in 2010 and continued during the year 2011.

In view of the foregoing, it is expected that the Company's total revenues in 2012 would be KWD 25 million, almost doubling those of 2011.

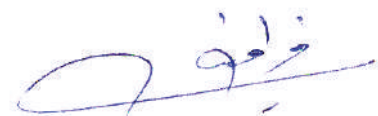
In light of the unrest and instability witnessed by some Arab countries, the Board of Directors decided to review the policy for identifying investment opportunities so as to focus on the most stable countries. During the year 2011, the Company identified an investment opportunity in Al Masane Al Kobra Mining Co. (AMAK) in the Kingdom of Saudi Arabia, which aims to produce gold and silver bars, and copper and zinc mineral concentrates. After The evaluation and due diligence the results were positive, and Board of Directors decided to participate in this company by 10% of its capital of 500 million Saudi Riyals. Trial production has started at the mine by the end of 2011. The Company considers this project to be promising, especially in light of the information about the existence of rich and diversified extension of the ores in the areas adjacent to the mine area in Najran, which will be studied, to evaluate their potential. At the same time, the Company continues to pursue other investment opportunities, including fluorite ore and associated minerals in the Kingdom of Saudi Arabia, fluorite ore and barytine in the Kingdom of Morocco, silica sand project in Jordan, and the exploitation of certain industrial minerals in Jordan and Saudi Arabia.

As part of the Company's effort to promote the Arab mining sector, the Board of Directors decided to establish an " Arab Center for Development of Mining Industries " the major task of which is to conduct studies and research to develop the mining industry in the Arab world, in addition to the establishment of specialized analytical laboratories for minerals and metals with distinctive competence, in addition to providing training services for students, graduates and employees involved in mining sector, and to qualify them through affiliation and accreditation with institutions, universities and international companies to ensure their access and exposure to field experience in the sites of mines and plants. Preparations have already begun for the establishment of the center. A piece of land was purchased in a suitable location in the outskirts of Amman to set up the center and build a new headquarters for the Company.

In 2011, the Company implemented a training program which covers all disciplines, and has also been involved in many conferences and seminars relevant to the Company's activities.

The Company is currently developing a three year working plan based on sound strategy to take into account the latest developments in the international and the regional scenes.

In conclusion, I extend my sincere thanks to all shareholders for their sincere support to the Company's activities, with special thanks to the host country, Jordan, for the support given to the Company in carrying out its business within the best conditions possible.



**Farraj Fahed Al- Mutairi**  
Chairman / Board of Directors





# ■ INTRODUCTION

## COMPANY INVESTMENTS

COMPANY / COUNTRY	CAPITAL	YEAR OF INITIAL INVESTMENT	OWNERSHIP %	PRODUCTS
Arab Potash Company (APC)/ Jordan	83.30 JOD Million	1977	19.95	Potassium Chloride and Nitrate Bromine derivatives
Societe National Industrielle et Miniere (SNIM)/ Mauritania	12.18 MRO Billion	1979	5.66	Iron Ore Concentrate
Gulf Stone Company / Oman	3.30 OMR Million	2004	25.00	Engineered Quartz Stone
Industries Chimiques du Fluor (ICF)/ Tunisia	9.00 TND Million	1979	26.67	Aluminium Fluoride
Arab Detergent Chemicals Company (ARADET)/Iraq	36.00 IQD Million	1982	10.00	Linear Alkyl Benzene and Toluene
Arab Engineering Industries Company/Jordan	1.80 JOD Million	1984	7.30	Steel and Iron Castings
Jordan Abyad Fertilizers & Chemicals Company/ Jordan	51.086 JOD Million	2007	10.00	Potassium Sulphate, and other chemicals
Al Masane Al Kobra Mining Co. / Saudi Arabia	500 Million SAR	2011	10.00	Gold and Silver Alloys, Copper and Zinc Concentrate



# INDEPENDENT AUDITORS' REPORT & FINANCIAL STATEMENTS **AS AT 31/12/2011**





Ernst & Young Jordan  
P.O.Box 1140  
Amman 11118  
Jordan

Tel: 00 962 6580 0777/00 962 6552 6111  
Fax: 00 962 6553 8300  
www.ey.com/jo

**Independent Auditors' Report  
To The Shareholders of Arab Mining Company  
Amman – Jordan**

We have audited the accompanying financial statements of Arab Mining Company ("the Company"), which comprise the statement of financial position as at 31 December 2011 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Directors' Responsibility For The Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate for 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 financial statements.

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Amman – Jordan  
26 March 2012

*Ernst & Young*

ARAB MINING COMPANY  
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2011

ASSETS	NOTES	2011 KWD	2010 KWD
<b>Non-Current Assets</b>			
Property and equipment	6	1,107,466	213,892
Investments in associates	7	2,978,914	3,284,543
Available-for-sale investments	8	310,564,010	298,289,072
Long-term receivables, net	9	-	-
Long-term employees' housing loans	10	124,809	135,416
		<b>314,775,199</b>	<b>301,922,923</b>
<b>Current Assets</b>			
Accounts receivable and other current assets	11	80,139	71,806
Due from related parties	12	237,994	126,566
Trading investments	13	6,470,884	6,528,634
Accrued revenues	14	448,915	775,676
Term deposits	15	29,892,993	35,991,336
Cash on hand and at banks	16	32,012	210,966
		<b>37,162,937</b>	<b>43,704,984</b>
<b>TOTAL ASSETS</b>		<b>351,938,136</b>	<b>345,627,907</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Equity</b>			
Paid-in capital	17	54,470,000	54,470,000
Statutory reserve	18	8,890,107	7,823,673
General reserve	18	2,011,901	945,467
Foreign currency translation reserve		(449,067)	(332,026)
Cumulative change in fair value	8	266,642,598	266,507,336
Retained earnings		18,599,916	15,627,444
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>350,165,455</b>	<b>345,041,894</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Provision for directors' end of service indemnity	19	72,126	68,907
Provision for employees' vacation		41,638	50,740
Provision for employees' end of service indemnity	20	451,835	364,050
		<b>565,599</b>	<b>483,697</b>
<b>Current Liabilities</b>			
Accounts payable and other current liabilities	21	1,198,905	93,373
Accrued expenses		8,177	8,943
		<b>1,207,082</b>	<b>102,316</b>
<b>Total Liabilities</b>		<b>1,772,681</b>	<b>586,013</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>351,938,136</b>	<b>345,627,907</b>

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



## ■ ARAB MINING COMPANY FINANCIAL STATEMENTS 31 DECEMBER 2011

### ARAB MINING COMPANY INCOME STATEMENT YEAR ENDED 31 DECEMBER 2011

	NOTES	2011 KWD	2010 KWD
Dividends income	22	11,334,561	8,028,644
Bank revenues		724,490	989,747
Interest income from trading investments		23,161	43,940
Change in fair value of trading investments		10,925	884,213
Loss on investments, net	23	-	(14,075)
Share of (Loss) profit of associates	7	(74,151)	36,451
Other revenues		111,517	89,509
<b>NET INVESTMENT INCOME</b>		<b>12,130,503</b>	<b>10,058,429</b>
Employees salaries, allowances and other benefits	24	(833,751)	(695,757)
General and administrative expenses	25	(445,791)	(388,619)
(Loss) Gain on sale of property and equipment		(340)	714,132
Loss on currency exchange		(186,281)	(233,510)
Board of Directors' remuneration		(112,000)	(90,000)
<b>PROFIT FOR THE YEAR</b>		<b>10,552,340</b>	<b>9,364,675</b>

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

ARAB MINING COMPANY  
STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 DECEMBER 2011

	NOTES	2011	2010
		KWD	KWD
<b>PROFIT FOR THE YEAR</b>		10,552,340	9,364,675
<b>OTHER COMPREHENSIVE INCOME</b>			
Exchange differences on translation of foreign operations	7	(117,041)	(306,124)
Cumulative change in fair value of available for sale investments	8	135,262	44,111,706
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		18,221	43,805,582
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>10,570,561</b>	<b>53,170,257</b>

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

## ■ ARAB MINING COMPANY FINANCIAL STATEMENTS 31 DECEMBER 2011

### ARAB MINING COMPANY STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 DECEMBER 2011

	PAID IN CAPITAL	STATUTORY RESERVE	GENERAL RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	CUMULATIVE CHANGE IN FAIR VALUE	RETAINED EARNINGS	TOTAL
2011 -	KWD	KWD	KWD	KWD	KWD	KWD	KWD
<b>BALANCE AT 1 JANUARY 2011</b>	<b>54,470,000</b>	<b>7,823,673</b>	<b>945,467</b>	<b>(332,026)</b>	<b>266,507,336</b>	<b>15,627,444</b>	<b>345,041,894</b>
Profit for the year	-	-	-	-	-	10,552,340	10,552,340
Other comprehensive income	-	-	-	(117,041)	135,262	-	18,221
Total comprehensive income for the year	-	-	-	(117,041)	135,262	10,552,340	10,570,561
Transfers	-	1,066,434	1,066,434	-	-	(2,132,868)	-
Dividends paid for the year 2010	-	-	-	-	-	(5,447,000)	(5,447,000)
<b>BALANCE AT 31 DECEMBER 2011</b>	<b>54,470,000</b>	<b>8,890,107</b>	<b>2,011,901</b>	<b>(449,067)</b>	<b>266,642,598</b>	<b>18,599,916</b>	<b>350,165,455</b>
<b>2010-</b>							
<b>BALANCE AT 1 JANUARY 2010</b>	<b>54,470,000</b>	<b>6,878,206</b>	<b>-</b>	<b>(25,902)</b>	<b>222,395,630</b>	<b>12,511,303</b>	<b>296,229,237</b>
Profit for the year	-	-	-	-	-	9,364,675	9,364,675
Other comprehensive income	-	-	-	(306,124)	44,111,706	-	43,805,582
Total comprehensive income for the year	-	-	-	(306,124)	44,111,706	9,364,675	53,170,257
Transfers	-	945,467	945,467	-	-	(1,890,934)	-
Dividends paid for the year 2009	-	-	-	-	-	(4,357,600)	(4,357,600)
<b>BALANCE AT 31 DECEMBER 2010</b>	<b>54,470,000</b>	<b>7,823,673</b>	<b>945,467</b>	<b>(332,026)</b>	<b>266,507,336</b>	<b>15,627,444</b>	<b>345,041,894</b>

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



ARAB MINING COMPANY  
STATEMENT OF CASH FLOWS YEAR ENDED 31 DECEMBER 2011

	NOTES	2011 KWD	2010 KWD
<b>OPERATING ACTIVITIES</b>			
Profit for the year		10,552,340	9,364,675
<b>Adjustments for:</b>			
Depreciation	6	15,149	12,612
Loss (gain) on disposal of property and equipment		340	(714,132)
Bank revenues		(724,490)	(989,747)
Change in fair value of trading investments		(10,925)	(884,213)
Share of loss (profit) of associates	7	74,151	(36,451)
Provision for end of service indemnity		11,000	11,000
Provision for employees' end of service indemnity		131,679	105,230
Provision for employees' vacation		4,924	10,284
<b>Working capital changes:</b>			
Accounts receivable and other current assets		(8,333)	23,955
Due from related parties		(111,428)	(119,548)
Trading investments		68,675	796,356
Accounts payable and other current liabilities		1,109,707	23,512
Accrued expenses		(766)	2,997
End of service indemnity and employees vacation paid		(69,876)	(10,575)
<b>Net cash flows from operating activities</b>		<b>11,042,147</b>	<b>7,595,955</b>
<b>INVESTING ACTIVITIES</b>			
Long-term employees' housing loans		10,607	12,255
Term deposits		6,098,343	(3,948,013)
Purchase of investments in associates and available-for-sale investments		(12,025,239)	(845,125)
Purchase of property and equipment	6	(909,063)	(32,163)
Bank revenues received		1,051,251	730,595
Proceeds from sale of property and equipment		-	809,990
<b>Net cash flows used in investing activities</b>		<b>(5,774,101)</b>	<b>(3,272,461)</b>
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(5,447,000)	(4,357,600)
<b>Net cash flows used in financing activities</b>		<b>(5,447,000)</b>	<b>(4,357,600)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(178,954)</b>	<b>(34,106)</b>
Cash and cash equivalents at the beginning of the year		210,966	245,072
<b>Cash and equivalent at the end of the year</b>		<b>32,012</b>	<b>210,966</b>

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

## ARAB MINING COMPANY NOTES TO THE FINANCIAL STATEMENT YEAR ENDED 31 DECEMBER 2011

### (1) GENERAL

Arab Mining Company was incorporated as an Arab shareholding company, with head office in Jordan, on 1 February 1975, with an authorized capital of KWD 120,000,000, which was reduced during 1994 to equal the paid in capital of KWD 54,470,000 divided into 5,447 shares at par value of KWD 10,000 per share. The Company's objective is to engage in all technical, industrial and commercial activities related to the mining industry, and to engage in the exploration of minerals, technical and environmental studies thereof, and the extraction of ores and to participate in establishing mining companies.

The Company shall be exempt from taxes, fees, and duties for the duration of its life. The Company shall conduct its activities on commercial basis, similar to private sector's companies.

### (2) BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of trading and available-for-sale investments.

The financial statements have been presented in Kuwaiti Dinars "KWD", which is the functional currency of the Company.

### (3) CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statement are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

#### **IAS 24 Related Party Disclosures (Amendment)**

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

#### **IFRIC 14 Prepayments of a minimum funding requirement (Amendment)**

The amendment to the interpretation had no effect on the financial position or performance of the Company.

#### **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**

The adoption of this interpretation did not have any impact on the financial position or performance of the Company.

#### (4) USE OF ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the provisions as well as fair value changes reported in equity. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

#### (5) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follow:

##### **Property and equipment -**

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Lands are not depreciated. Property and equipment are depreciated on a straight-line basis over their estimated useful lives using depreciation rates that range between 4%-20%.

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 value exceeds the estimated recoverable amount, the assets are written down to their recoverable amounts.

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

##### **Investments in associates -**

The Company's investments in its associates are accounted under the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Investments in associates in the statement of financial position are stated at cost plus the company's share of the associate's net assets. Goodwill resulting from the investment is recorded as part of the investment account and is not amortized.

The company's share of associate's profits is recorded in the income statement. In case of change in equity of the associate the change if any appears in the statement of changes in equity for the Company. Gains and losses resulting from transactions between the company and it's associates are eliminated to the extent of the company's share in the associates

##### **Available-for-sale investments -**

These are initially recognized at cost, being the fair value of consideration given including directly attributable transaction costs and subsequently re-measured at fair value. Fair value changes are reported as a separate component of equity until the investment is derecognized or the investment is determined to be impaired. On derecognizing or impairment the cumulative gain or loss previously reported as "cumulative change in fair value" within the equity, is included in the income statement.

Gains and losses on exchange relating to the translation of equity instruments in foreign currencies are included in the cumulative change in fair vale within the equity.



### **Trading investments-**

These are initially recognized at cost, being the fair value of consideration given and subsequently re-measured at fair value. All related realized and unrealized gains or losses in addition to the change in fair value related to translation of non-monetary assets in foreign currencies are taken to the income statement.

Dividends received are recorded in the income statement.

### **Investments recognition -**

Purchases and sales of investments are recognized on the trade date i.e. the date that the Company commits to purchase or sell the investments.

### **Fair value -**

For investments and derivatives quoted in an active market, fair value is determined by reference to quoted market prices.

For financial instruments where there is no active market, fair value is normally based on one of the following methods:

- Comparison with the current market value of a highly similar financial instrument .
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics
- Options pricing models .

The fair value revaluation methods reflect market expectations and take into consideration the market factors and any risks or accepted benefits when investments are estimated. In case the fair value of an investment cannot be reliably measured, it is stated at cost and any impairment in the value is deducted .

### **Cash and cash equivalents -**

Cash and cash equivalents include cash on hand and at banks with original maturities of three months or less and that are subject to an insignificant risk of change in value .

### **Accounts payable and accruals -**

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

### **Provisions -**

Provisions are recognized when the Company has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured .

A provision is made for directors' end of service indemnity at the statement of financial position date based on the accumulated periods of service on the Company's Board .

### **Provision for employees' end of service indemnity -**

Provision is made for amounts payable to employees based on the accumulated periods of service at the financial statements date and employees final salaries.

### **Revenue recognition -**

Dividends are recognized when the shareholder's right to receive payment is established.

Bank revenues are recognized as interest accrues using the effective interest method.

Other revenues are recognized on an accrual basis.

**Foreign currency -**

Foreign currency transactions during the year are recorded using exchange rates that were in effect at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the prevailing exchange rates at the financial statements date.

Differences are taken to the income statement.

Foreign exchange gains or losses arising from translating non-monetary assets and liabilities denominated in foreign currencies are recorded as part of the change in fair value.

Foreign exchange gains or losses arising from translating net investment in associates are included as a separate component of equity.

**(6) PROPERTY AND EQUIPMENT**

<b>2011</b>	<b>LAND</b>	<b>COMPANY'S BUILDING</b>	<b>FURNITURE AND FIXTURES</b>	<b>MACHINERY, EQUIPMENT AND SOFTWARE</b>	<b>VEHICLES</b>	<b>TOTAL</b>
	<b>KWD</b>	<b>KWD</b>	<b>KWD</b>	<b>KWD</b>	<b>KWD</b>	<b>KWD</b>
<b>COST</b>						
<b>At 1 January</b>	<b>158,743</b>	<b>753,949</b>	<b>218,871</b>	<b>125,850</b>	<b>77,420</b>	<b>1,334,833</b>
Additions	864,507	-	1,399	17,352	25,805	909,063
Disposals	-	-	(449)	(17,660)	(16,837)	(34,946)
<b>At 31 December</b>	<b>1,023,250</b>	<b>753,949</b>	<b>219,821</b>	<b>125,542</b>	<b>86,388</b>	<b>2,208,950</b>
<b>ACCUMULATED DEPRECIATION</b>						
<b>At 1 January</b>	<b>-</b>	<b>753,824</b>	<b>213,089</b>	<b>93,918</b>	<b>60,110</b>	<b>1,120,941</b>
Depreciation for the year	-	50	847	9,151	5,101	15,149
Disposals	-	-	(441)	(17,329)	(16,836)	(34,606)
<b>At 31 December</b>	<b>-</b>	<b>753,874</b>	<b>213,495</b>	<b>85,740</b>	<b>48,375</b>	<b>1,101,484</b>
<b>Net book value</b>						
<b>at 31 December 2011</b>	<b>1,023,250</b>	<b>75</b>	<b>6,326</b>	<b>39,802</b>	<b>38,013</b>	<b>1,107,466</b>
<b>2010</b>						
<b>COST</b>						
<b>At 1 January</b>	<b>251,778</b>	<b>753,949</b>	<b>223,978</b>	<b>111,664</b>	<b>71,207</b>	<b>1,412,576</b>
Additions	-	-	609	16,083	15,471	32,163
Disposals	(93,035)	-	(5,716)	(1,897)	(9,258)	(109,906)
<b>At 31 December</b>	<b>158,743</b>	<b>753,949</b>	<b>218,871</b>	<b>125,850</b>	<b>77,420</b>	<b>1,334,833</b>
<b>ACCUMULATED DEPRECIATION</b>						
<b>At 1 January</b>	<b>-</b>	<b>753,656</b>	<b>214,637</b>	<b>87,896</b>	<b>66,188</b>	<b>1,122,377</b>
Depreciation for the year	-	168	1,407	7,858	3,179	12,612
Disposals	-	-	(2,955)	(1,836)	(9,257)	(14,048)
<b>At 31 December</b>	<b>-</b>	<b>753,824</b>	<b>213,089</b>	<b>93,918</b>	<b>60,110</b>	<b>1,120,941</b>
<b>Net book value</b>						
<b>at 31 December 2010</b>	<b>158,743</b>	<b>125</b>	<b>5,782</b>	<b>31,932</b>	<b>17,310</b>	<b>213,892</b>

(7) INVESTMENTS IN ASSOCIATES

Details of the movement on investments in associates are as follows:

COMPANY NAME	OWNERSHIP	BALANCE AT THE BEGINNING OF THE YEAR	DIVIDENDS RECEIVED	SHARE OF (LOSS) PROFIT	FOREIGN CURRENCY TRANSLATION DIFFERENCES	BALANCE AT THE END OF THE YEAR
	%	KWD	KWD	KWD	KWD	KWD
Industries Chimiques due Fluor/Tunisia	26.67%	2,622,546	(114,437)	(159,233)	(107,856)	2,241,020
Gulf Stone Company/ Oman	25%	661,997	-	85,082	(9,185)	737,894
		3,284,543	(114,437)	(74,151)	(117,041)	2,978,914

The following is a summary of the Company's share of the associates' assets and liabilities:

	2011			2010		
	GULF STONE COMPANY	INDUSTRIES CHIMIQUES DUE FLUOR	TOTAL	GULF STONE COMPANY	INDUSTRIES CHIMIQUES DUE FLUOR	TOTAL
	KWD	KWD	KWD	KWD	KWD	KWD
Non-current assets	621,083	1,446,622	2,067,705	669,027	1,521,601	2,190,628
Current assets	482,839	2,102,359	2,585,198	408,926	1,885,033	2,293,959
Non-current liabilities	(61,911)	(53,233)	(115,144)	(67,017)	(47,666)	(114,683)
Current liabilities	(304,117)	(1,254,728)	(1,558,845)	(348,939)	(736,422)	(1,085,361)
Net assets	737,894	2,241,020	2,978,914	661,997	2,622,546	3,284,543

The following is a summary of the Company's share of the associates' revenues and profits:

	2011			2010		
	GULF STONE COMPANY	INDUSTRIES CHIMIQUES DUE FLUOR	TOTAL	GULF STONE COMPANY	INDUSTRIES CHIMIQUES DUE FLUOR	TOTAL
	KWD	KWD	KWD	KWD	KWD	KWD
Revenues	673,457	3,370,883	4,044,340	628,972	3,193,490	3,822,462
(Loss) Profit for the year	85,082	(159,233)	(74,151)	71,520	(35,069)	36,451



**(8) AVAILABLE-FOR-SALE INVESTMENTS**

This item consists of investments in shares of the following companies:

	2011	2010
	KWD	KWD
<b>a) Unquoted investments * :</b>		
Al Masane Al Kobra Mining Company / Saudi Arabia	10,567,780	-
Societe Nationale Industrielle et Miniere (SNIM)/Mauritania	3,662,251	3,662,251
Abyad Fertilizers and Chemicals Company/ Jordan	2,859,433	2,437,819
Arab Detergent Chemicals Co. (ARADET)/ Iraq	791,578	791,578
Geulb Moghreïn Mines d'Akjoujt (GEMAK)/ Mauritania **	193,830	193,830
	<b>18,074,872</b>	<b>7,085,478</b>
<b>b) Quoted investments :</b>		
Arab Potash Co./Jordan	281,668,166	280,663,793
Saudi Co. for preliminary industries (Sabek)/ Saudi Arabia	3,077,666	3,390,086
Buobyan Petrochemical Co./Kuwait	3,001,600	2,840,800
Jordan Phosphate Mines Co./Jordan	2,503,410	1,944,930
Qatar industry Co./Qatar	2,238,296	2,363,985
	<b>292,489,138</b>	<b>291,203,594</b>
	<b>310,564,010</b>	<b>298,289,072</b>

\* Unquoted investments are stated at cost, as their fair values cannot be reliably measured.  
Any impairment in value is recorded in the income statement.

\*\* The General Assembly of Geulb Moghreïn Mines d'Akjoujt (GEMAK) resolved in its extraordinary meeting held on 5 March 2011 to liquidate GEMAK. The Company's management believes that the investment is fully recoverable. Therefore, no provision was taken against this investment.

Details of the movement on the cumulative change in fair value are as follows:

2011	BALANCE AT 1 JANUARY	CHANGE IN FAIR VALUE	BALANCE AT 31 DECEMBER
	KWD	KWD	KWD
<b>Arab Potash Co./Jordan</b>	263,221,058	1,004,373	264,225,431
<b>Saudi Co. for Preliminary Industries (Sabek)/ Saudi Arabia</b>	1,390,064	(312,420)	1,077,644
<b>Boubyan Petrochemicals Co./Kuwait</b>	842,106	160,801	1,002,907
<b>Jordan Phosphate Mines Co./Jordan</b>	189,079	(591,803)	(402,724)
<b>Qatar Industry Co./Qatar</b>	865,029	(125,689)	739,340
	<b>266,507,336</b>	<b>135,262</b>	<b>266,642,598</b>
<b>2010</b>			
<b>Arab Potash Co./Jordan</b>	220,893,555	42,327,503	263,221,058
<b>Saudi Co. for Preliminary Industries (Sabek)/ Saudi Arabia</b>	719,748	670,316	1,390,064
<b>Boubyan Petrochemicals Co./Kuwait</b>	198,906	643,200	842,106
<b>Jordan Phosphate Mines Co./Jordan</b>	92,453	96,626	189,079
<b>Qatar Industry Co./Qatar</b>	490,968	374,061	865,029
	<b>222,395,630</b>	<b>44,111,706</b>	<b>266,507,336</b>

## (9) LONG-TERM RECEIVABLES, NET

This item represents the share of Iraq and Somalia Government of the initial feasibility study cost paid on their behalf by Arab Mining Company to the Arab Somali Mining Company at the end of 1985, as part of the two countries subscription in the capital of Arab Somali Mining Company. The board of directors, with the approval of the General Assembly, decided to distribute the cost equally between both of them. In accordance with the resolution of the Company's Board of Directors, a provision for the amount of KWD 449,788 was taken against these receivables during the year 2008. The receivable balance will continue to be collected from the dividends due to these countries until it is settled in full in accordance with the dividends general assembly resolution dated 4 September 1997.

Details of this item are as follows:

	2011 KWD	2010 KWD
Iraqi Government /Arab Somali Mining Co.	43,394	98,394
Somali Government / Arab Somali Mining Co.	131,394	186,393
	174,788	284,787
<b>Provision for long term receivables</b>	<b>(174,788)</b>	<b>(284,787)</b>
	-	-

## (10) LONG-TERM EMPLOYEES' HOUSING LOANS

This item represents the balance of declining housing loans granted to employees in accordance with the Company's Housing System at 1.5% annual management fees. These loans are repayable in monthly installments over a maximum period of 20 years. Details of movements in the housing loans are as follows:

	2011 KWD	2010 KWD
Balance at beginning of the year	135,416	147,671
Less: Installments paid during the year	(10,607)	(12,255)
<b>Balance at end of the year</b>	<b>124,809</b>	<b>135,416</b>

## (11) ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

This item consists of the following:

	2011 KWD	2010 KWD
Prepaid expenses	32,574	23,671
Advances to employees	32,091	40,502
Accounts receivable	12,218	4,359
Refundable deposits	1,766	1,784
Mineral samples	1,490	1,490
	<b>80,139</b>	<b>71,806</b>

## (12) RELATED PARTY TRANSACTIONS

These represent transaction with related parties' i.e. major shareholders, directors and key management personal and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Board of Directors.

Balances with related parties included in the statement of financial position are as follows:

	2011	2010
	KWD	KWD
Due from related parties		
Abyad Fertilizers and Chemicals company*	125,180	123,746
Industries chimiques Due Flour company	112,814	2,820
	<b>237,994</b>	<b>126,566</b>

	2011 KWD	2010 KWD
Dividends payable to shareholders (included in accounts payable and other current liabilities)	659,000	-

\* At the end of 2010, the Company granted Abyad Fertilizers and Chemicals Company/ Jordan a loan amounted to JD 300,000 (KWD 117,900).The loan bears annual interest rate of 6%.

Transactions with related parties included in the income statement are as follows:

	2011 KWD	2010 KWD
Interest income (included in Bank revenues) –		
Abyad Fertilizers and Chemicals Company	7,170	405
<b>Compensation of key management personnel:</b>		
	2011 KWD	2010 KWD
Salaries and other benefits (included in employees salaries, allowances and other benefits)	118,122	94,608

### (13) TRADING INVESTMENTS

This item consists of the following:

	2011	2010
	KWD	KWD
Arab Potash Company shares/ Jordan	6,470,884	6,016,677
Egyptian Government bonds*	-	294,323
Ras Laffan bonds/Qatar**	-	217,634
	<b>6,470,884</b>	<b>6,528,634</b>

\*Egyption Government bonds matured during the year 2011. The Company had received in cash the par value of USD one million (KWD: 282,000).

During 2011, Ras Laffan Company for Liquefied Natural Gas Limited recalled Ras Laffan bonds at its fair value of USD 657,000 (KWD: 185,262).



#### (14) ACCRUED REVENUES

This item consists of the following:

	2011	2010
	KWD	KWD
Accrued bank revenues on term deposits	448,915	758,960
Accrued interests on bonds	-	16,716
	<b>448,915</b>	<b>775,676</b>

#### (15) TERM DEPOSITS

This item consists of the following:

	2011	2010
	KWD	KWD
Deposits in Kuwaiti Dinar	25,402,079	26,332,734
Deposits in Jordanian Dinar	2,431,214	9,658,602
Deposits in U.S Dollar	2,059,700	-
	<b>29,892,993</b>	<b>35,991,336</b>

Term deposits are for terms ranging from three months to one year at average interest rates ranging from 1.7% to 2.4% on KWD deposits (2010: 2.125% to 2.5%) and ranging from 3.25% to 4.125% on JD deposits (2010: 3.75% to 4.5%) and 1% on US dollar deposits (2010: nil).

#### (16) CASH ON HAND AND AT BANKS

This item consists of the following:

	2011	2010
	KWD	KWD
Cash on hand	4,627	4,180
Current accounts	27,385	206,786
	<b>32,012</b>	<b>210,966</b>

#### (17) PAID-IN CAPITAL

The Company's authorized, and paid in capital amounts to KWD 54,470,000 divided into 5,447 shares at par value of KWD 10,000 per share.

#### (18) RESERVES

##### - Statutory reserve

Pursuant to the Company's articles of association, 10% of profit is transferred to statutory reserve. The reserve is not available for distribution to shareholders.

##### - General reserve

This item represents 10% of the profit starting from the year 2010. This reserve is available for distribution to shareholders.

**(19) PROVISION FOR DIRECTORS' END OF SERVICE INDEMNITY**

During 2009, The Board of Directors approved to increase the BOD members remuneration to KWD 1,000 for each year of service on the board.

**(20) PROVISION FOR EMPLOYEES' END OF SERVICE INDEMNITY**

	<b>2011</b> KWD	<b>2010</b> KWD
Balance at the beginning of the year	364,050	249,113
Provision for the year	131,679	105,230
End of service indemnity paid to employees	(48,069)	-
Loss on currency exchange	4,175	9,707
Balance at the end of the year	<b>451,835</b>	<b>364,050</b>

**(21) ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES**

This item consists of the following:

	<b>2011</b> KWD	<b>2010</b> KWD
Dividends payable to shareholders	659,000	-
Accounts payable	427,905	2,720
Board of Directors' remuneration	112,000	90,000
General deposits	-	653
	<b>1,198,905</b>	<b>93,373</b>

**(22) DIVIDENDS INCOME**

This item consists of the following:

	<b>2011</b> KWD	<b>2010</b> KWD
Arab Potash Co./ Jordan	8,237,945	4,706,211
Societe Nationale Insudtrielle et Miniere (SNIM)/ Mauritania	2,344,413	482,590
Arab detergent chemicals Co. (ARADET)/ Iraq	310,200	166,460
Buobyan Bertrochemical Co. /Kuwait	187,600	160,800
Saudi Co. for pretiminary industries (Sabek)/ Saudi Arabia	129,454	98,901
Qatar Industry Co. /Qatar	94,217	87,201
Jordan Phosphate Mines Co./ Jordan	30,732	9,315
Genlb to Moghreïn Mines d'AKjoujt (GEMAK)/Mauritania	-	2,317,166
	<b>11,334,561</b>	<b>8,028,644</b>

### (23) LOSSES ON INVESTMENTS, NET

This item consists of the following:

	2011	2010
	KWD	KWD
Realized loss on trading investments (Arab Potash Co. shares)	-	(14,075)

### (24) EMPLOYEES SALARIES, ALLOWANCES AND OTHER BENEFITS

This item consists of the following:

	2011	2010
	KWD	KWD
Salaries and allowances	457,758	391,811
Provision for end of service indemnity	131,679	105,230
Medical treatments and staff insurance	88,017	72,300
Employees' incentives	50,571	28,413
Company's contribution to social security	38,046	31,063
Promotional incentives	27,609	21,441
Company's contribution to employees saving fund	25,922	24,962
Transportation allowance	9,225	10,253
Provision for employees vacations	4,924	10,284
	<b>833,751</b>	<b>695,757</b>

### (25) GENERAL AND ADMINISTRATIVE EXPENSES

This item consists of the following:

	2011	2010
	KWD	KWD
Board of Directors expenses	165,076	155,343
Searching for investment opportunities expenses	52,753	27,376
Travel expenses	39,987	37,066
Training expenses	19,337	11,990
Maintenance expenses	16,374	14,595
Part time consultants	15,175	15,698
Depreciation	15,149	12,612
Post and telephone	14,235	13,511
Press and printing	12,033	12,338
Bank charges	11,458	5,806
End of service indemnity	11,000	11,000
Hospitality expense	10,164	14,449
Electricity, water and heating	8,881	7,427
Vehicles expenses	5,676	5,230
General Assembly expenses	4,530	4,474
Donations	3,994	3,640
Subscription in Arab unions fees	2,573	2,619
Insurance expenses	2,847	1,652
Stationary and office equipment	1,864	1,586
Others	32,685	30,207
	<b>445,791</b>	<b>388,619</b>

**(26) RISK MANAGEMENT****Interest rate risk**

The Company is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits and due from related parties).

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates as of 31 December 2011 and 2010, with all other variables held constant.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the Company's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2011 and 2010.

**2011–**

CURRENCY	INCREASE IN BASIS POINTS	EFFECT ON PROFIT FOR THE YEAR
		KWD
<b>KWD</b>	75	190,516
<b>JD</b>	75	18,234
<b>USD</b>	75	15,448

CURRENCY	DECREASE IN BASIS POINTS	EFFECT ON PROFIT FOR THE YEAR
		KWD
<b>KWD</b>	100	(254,021)
<b>JD</b>	100	(24,312)
<b>USD</b>	100	(20,597)

**2010–**

CURRENCY	INCREASE IN BASIS POINTS	EFFECT ON PROFIT FOR THE YEAR
		KWD
<b>KWD</b>	50	131,664
<b>JD</b>	50	48,889

CURRENCY	DECREASE IN BASIS POINTS	EFFECT ON PROFIT FOR THE YEAR
		KWD
<b>KWD</b>	75	(197,496)
<b>JD</b>	75	(73,334)



### Equity price risk

The following table demonstrates the sensitivity of the income statement (trading investments) and cumulative changes in fair value (available for sale investments) to reasonably possible changes in equity prices, with all other variables held constant.

### 2011–

	CHANGE IN EQUITY PRICE	EFFECT ON PROFIT FOR THE YEAR	EFFECT ON EQUITY
	(z)	KWD	KWD
<b>Amman Stock Exchange</b>	10	647,088	28,417,158
<b>Other markets</b>	10	-	831,756

### 2010–

	CHANGE IN EQUITY PRICE	EFFECT ON PROFIT FOR THE YEAR	EFFECT ON EQUITY
	(z)	KWD	KWD
<b>Amman Stock Exchange</b>	10	601,668	28,260,872
<b>Other markets</b>	10	51,196	859,487

The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

### 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 Company seeks to limit its credit risk with respect to banks by only dealing with reputable banks.

### Liquidity risk

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 December 2010 and 2010, based on contractual payment dates and current market interest rates.

31 DECEMBER 2011	3 TO 12 MONTHS	TOTAL
	KWD	KWD
<b>Accounts payable</b>	427,905	427,905

31 DECEMBER 2010	3 TO 12 MONTHS	TOTAL
	KWD	KWD
<b>Accounts payable</b>	2,720	2,720

**Currency risk**

Most of the Company's transactions are in Jordanian Dinars and US Dollars.

The table below demonstrates the sensitivity to a reasonably possible changes of the Kuwait Dinar currency rate against the Jordanian Dinar, with all other variables held constant, on the income statement (due to change in the fair value of monetary assets and liabilities). The effect of changes in the Kuwait Dinar currency rate against the other foreign currencies are not material to the financial statements.

**2011–**

	INCREASE IN THE FOREIGN EXCHANGE RATE AGAINST THE KWD	EFFECT ON PROFIT FOR THE YEAR
	(x)	KWD
<b>JD</b>	10	902,728
	DECREASE IN THE FOREIGN EXCHANGE RATE AGAINST THE KWD	EFFECT ON PROFIT FOR THE YEAR
	(x)	KWD
<b>JD</b>	10	(902,728)

**2010–**

	INCREASE IN THE FOREIGN EXCHANGE RATE AGAINST THE KWD	EFFECT ON PROFIT FOR THE YEAR
	(x)	KWD
<b>JD</b>	5	789,951
	DECREASE IN THE FOREIGN EXCHANGE RATE AGAINST THE KWD	EFFECT ON PROFIT FOR THE YEAR
	(x)	KWD
<b>JD</b>	5	(789,951)

## (27) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, trading investments, available for sale investments and some other current assets. Financial liabilities consist of accounts payable and some other current liabilities.

The fair values of financial instruments, with the exception of certain available-for-sale investments are not materially different from their carrying values. As disclosed in note (8), available for sale investments include unquoted investments amounting to KWD 18,074,872 as of 31 December 2011 (2010: KWD 7,085,478). These investments are stated at cost, as their fair values cannot be reliably measured.

## (28) CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 2010.

Capital comprises share capital, statutory and general reserve and retained earnings, and is measured at KWD 83,971,924 as at 31 December 2011 (2010: KWD 78,866,584).

## (29) STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

### **IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income**

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 're-cycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

### **IAS 19 Employee Benefits (Amendment)**

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Company does not expect any impact and the financial position of financial statements. OR The Company is currently assessing the full impact of the remaining amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

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

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 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 amendment becomes effective for annual periods beginning on or after 1 January 2013.

**IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements**

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company'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 continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Company's financial position or performance.

**IFRS 9 Financial Instruments: Classification and Measurement**

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial instruments. The standard becomes effective for annual periods beginning on or after 1 January 2013.

**IFRS 12 Disclosure of Involvement with 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. 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 Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.