



**ARAB MINING COMPANY**  
**38th ANNUAL REPORT**  
**2012**



# ARAB MINING COMPANY

## THIRTY EIGHTH ANNUAL REPORT 2012



# ARAB MINING COMPANY

Arab Shareholding Company

Established 1975

Authorized, Subscribed & Paid Up Capital

KWD 54.47 Million

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## **Head Office**

Amman - The Hashemite Kingdom of Jordan

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## **Address**

Shemeissani - 21 Prince Shaker Bin Zaid St.

P.O.Box: 20198 Amman 11118

Phone: (+962 6) 5664175, 5663146/8/9

Fax: (+962 6) 5684114

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

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

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# BOARD OF DIRECTORS



**Chairman of the Board**  
Mr. Farraj Fahed Al-Mutairi



**Vice - Chairman**  
Mr. Mansour Bin Suliman Al-Mebrek

## DIRECTORS



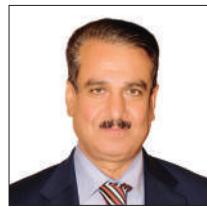
Mr. Saleh Ahmad al-Mahmoudi



Eng. Mohammed Ahmed Al-Shihhi



Mr. Sultan Bin Jamal Shawli



Eng. Abdoulghani Fakri Al-Jafar



Dr. Khaldoun Subhi Al-Bassam



Eng. Adnan Ahmed Al-Rashdan



Eng. Ali Belgasem Edlew



Dr. Ismail Nasser Ali Al Ganad



Dr. Ahmad Tuhtater Salman Al-Mashaqbah



**General Manager**  
Eng. Talal A. Al-Saadi

## CHAIRMAN OF THE BOARD

Mr. Farraj Fahed Al-Mutairi

State of Kuwait

## VICE CHAIRMAN

Mr. Mansour Bin Suliman Al-Mebrek

Kingdom of Saudi Arabia (from 20/6/2012)

Dr. Ali Farhan Aldakheel

Republic of Iraq (until 19/6/2012)

## DIRECTORS

Mr. Saleh Ahmad Al-Mahmoudi

United Arab Emirates

Eng. Mohammed Ahmed Al-Shihhi

United Arab Emirates

Mr. Sultan Bin Jamal Shawli

Kingdom of Saudi Arabia

Eng. Abdoughani Fakri Al-Jafar

Republic of Iraq (from 20/6/2012)

Eng. Adnan Ahmad Al Rashdan

State of Kuwait

Eng. Ali Belgasem Edlew

The State of Libya

Dr. Ismail Nasser Ali Al Ganad

Republic of Yemen

Dr. Ahmad Tuhater Salman Al-Mashaqbah

The Hashemite Kingdom of Jordan

## GENERAL MANAGER

Eng. Talal A. Al-Saadi

## INDEPENDENT AUDITORS

Ernst & Young

## 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 (5,447 shares, KWD 10,000 each share) distributed as follows:

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
The 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 - The Hashemite Kingdom of 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
<b>TOTAL</b>	<b>5, 447</b>	<b>54, 470 ,000</b>	<b>100.00</b>

## **VISION**

To become a leading company in the development and investment in the mining sector and optimum utilization of mineral resources. And to achieve the expectations of stakeholders through advanced technologies, systems and qualified distinctive team.

## **MISSION**

- \* To expand and diversify our investments through the equity participation in the exploitation of mineral resources and related industries.
- \* To enhances the economical success of our shareholders.
- \* To continuously improve the quality of our activities and services to insure the satisfaction of our stakeholders.
- \* To demonstrate the company in the region as an outstanding information center in the field of investment in mineral resources and related industries.

## **STRATEGIC GOALS**

### **First: Increase the effectiveness of capital and maximize the value of the company.**

- \* Monitor the performance of existing investments
- \* Search for new investment opportunities by focusing on strategic minerals
- \* Diversify investment of liquid assets portfolio

### **Second: Develop the Arab mining industries.**

Establishment of the "Arab Mining Industries Development Center."

### **Third: Develop the institutional and individual performance in the company through continuous learning and development.**

### **Fourth: Improve the efficiency of internal processes in the company.**

### **Fifth: Promote and activate the role of the Company at the Arab and the international level**

### **Sixth: Conduct studies and specialized researches that support the Arab Mining Sector.**

## LETTER FROM 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 38th Annual Report, which includes the results of the Company's performance and financial statements for the year ended 31/12 / 2012. As well as a summary of what has been achieved at the level of the company's activities and events.

**2012 net investment income amounted to KWD 26 million compared to KWD 12 million in 2011.**

The Company was able to maintain the strength of its financial position and continued improvement in its performance during 2012, with net investment income of KWD 26 million compared to KWD 12 million in 2011. The net profit for the year amounted to KWD 25 million compared to KWD 11 million in 2011, 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 20% of the capital as cash dividends to shareholders for the year 2012, compared to 12.5% for the year 2011.

Moreover, the company has achieved in 2012, growth in shareholders' equity amounted to KWD 36 million for a total shareholders' equity to become KWD 386 million compared to KWD 350 million in 2011, while the retained earnings totalled about KWD 31 million compared to KWD 19 million in 2011.

In terms of the financial results of the investee companies, the Arab Potash Company in Jordan has achieved a net profit equivalent to KWD 79 million in 2012, as compared to KWD 118 million in 2011, and decided to distribute dividends to shareholders equal to 250% of the capital, of which the Company's share will be KWD 16 million. The Société Nationale Industrielle et Minière "SNIM" in Mauritania has achieved a net profit of KWD 143 million compared to KWD 232 million in 2011, and decided to distribute dividends amounting to KWD 36 million for the year 2012, of which the Company's share will be KWD 2.1 million.

The Arab Detergent Chemicals Company "Aradet" also achieved in 2012 net profit of KWD 1.2 million, compared to KWD 2.2 million in 2011, and decided the distribution of dividends to shareholders amounting to KWD 1.7 million, of which the Company's share will be KWD 169 thousand.

The Industries Chimiques du Fluor "ICF" Company in Tunisia achieved in 2012 net profit of KWD 2.4 million, compared to a loss in 2011 of KWD 542 thousand, and decided the distribution of dividends to shareholders amounting to KWD 912 thousand, of which the Company's share will be KWD 243 thousand.

The Gulf Stone Company "SOAG" in the Sultanate of Oman

has achieved a net profit in 2012 amounting to KWD 178.3 thousand compared to KWD 336 thousand for the year 2011, and decided for the first time to distribute 5% of its capital as cash dividends.

In light of the foregoing, the total revenues of the Company in 2013 are expected to reach to about KWD 21 million, these results were achieved in spite of unrest and instability witnessed by some Arab countries.

It is worth mentioning that commercial production has effectively commenced in Al Masane Al Kobra Mining Co. (AMAK) in the Kingdom of Saudi Arabia in August 2012, and in order to maintain the Company's percentage share, it was decided to subscribe to the capital increase from SAR 500 million to SAR 550 million.

**2012 net profit amounted to KWD 25 million compared to KWD 11 million in 2011.**

Regarding the Company's new investments, the Company has decided to diversify investments and enter into new partnerships. For this end, it has initiated contacts with international mining companies and institutions in preparation for the next phase of the company's work, which requires the presence of strategic partners.

The Company has developed a three year Strategic Plan in which strategic goals, initiatives and activities have been identified within an operational plan that includes necessary key performance indicators (KPIs) for follow ups, and taking into account the latest investment climate developments in the international and the regional scenes.

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 Arab Mining Company (ARMICO) was initially

**Strategic and Working Plan for 2013-2015 have been developed to achieve the Company's vision and mission.**

established to develop the mining sector in the Arab World. ARMICO has since participated in the implementation of many mining projects. Through the course of project implementation over the past few decades the company has increasingly noted the lack of Arab technical know-how and shortage of qualified labour in the mining sector. In order to address this issue, the board and as part of its latest strategic plan, has decided to establish the "Arab Mining Industries Development Centre" to provide academic teaching and vocational training to those already working in the field and students wishing to pursue a career in mining. This will be done in collaboration with highly reputed universities, training centers and research centers. In this context, ARMICO welcomes cooperation with any Arab party interested in achieving this strategic project.

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

## COMPANY INVESTMENTS

COMPANY / COUNTRY	CAPITAL MILLION	YEAR OF INITIAL INVESTMENT	OWNERSHIP %	PRODUCTS	CAPACITY
Arab Potash Company / Jordan	JOD 83.318	1977	19.93	Potassium Chloride Potassium Nitrate Dicalcium phosphate Bromine and its derivatives	2.4 Million Ton/Year 150,000 Ton/Year 60,000 Ton/Year More than 200,000 Ton/Year
Societe National Industrielle et Miniere/ Mauritania	USD 606	1979	5.66	Iron Ore Concentrates	12 Million Ton/Year
Gulf Stone Company / Oman	OMR 3.63	2004	25.00	Engineered Quartz Stone	300,000 m <sup>2</sup> of tiles / Year
Industries Chimiques du Fluor/ Tunisia *	TND 21.00	1979	26.67	Aluminium Fluoride	41,000 Ton/Year
Arab Detergent Chemicals Company /Iraq	USD 116	1982	10.00	Linear Alkyl Benzene Heavy Alkyl Benzene Toluene	50,000 Ton/Year 2,500 Ton/Year 7,000 Ton/Year
Arab Engineering Industries Company/Jordan	JOD 1.80	1984	7.30	Steel and Iron Castings	
Jordan Abyad Fertilizers & Chemicals Company/ Jordan	JOD 64.59	2007	10.00	Abyad site/ Sulphate of Potash Abyad site/ Hydrochloric acid Abyad site/ Di-calcium phosphate Abyad site/ Triple super phosphate Abyad site/ Calcium chloride Abyad site/ Sulphuric acid Jeza site / Potassium sulphate Jeza site / Hydrochloric acid	80,000 Ton/Year 96,000 Ton/Year 15,000 Ton/Year 65,000 Ton/Year 55,000 Ton/Year 132,000 Ton/Year 17,000 Ton/Year 21,000 Ton/Year
Al Masane Al Kobra Mining Co. / Saudi Arabia **	SAR 550	2011	10.00	Copper Concentrate Zinc Concentrate Silver Alloys Gold Alloys	34,000 Ton/Year 45,000 Ton/Year 193,000oz 7,600oz

\* The EGA decided to increase the capital by TND 12 Million in stages, the first stage subscription represent 25% of the increase raising paid up capital to TND 12 Million.

\*\* The EGA approved the 10% increase of the authorized capital from 500 million SAR to 550 Million SAR by issuing 5 Million shares.

## STRATEGIC PLAN FOR THE YEARS 2013-2015 AND WORKING PLAN

### **The Strategic analysis was conducted with reference to vision and mission of company and based on the following studies:**

1. Assessment of the historical performance of the company where successes and failures in the past were identified and analyzed.
2. Analysis of the company's current situation by conducting a SWOT analysis which identify the strengths, weaknesses, opportunities and threats for the company. The Strategic Plan aims to enhance the company's strengths and address weaknesses as well, and exploit opportunities and avoid threats, if possible.
3. The investment climate of the Arab countries (because investment is the core business of the company). This study includes the following contents:

- ★ Characteristics of mining industry production.
- ★ Aspects that influence the investment climate.
- ★ Economic situation indicators.
- ★ Implemented reforms.
- ★ Policies and procedures proposed in the Arab countries that affect the business environment.
- ★ Evaluating investment in the Arab States: by conducting SWOT. Analysis of each country taking into account the economic and political situation and the business environment.
- ★ Strategic Analysis of the mining sector structure in the Arab World.
- ★ Identify promising geological environments in the Arab world.
- ★ Identify the most important mineral ores exploited and unexploited in terms of the amount produced and locations in the Arab world.

### **Based on the above, strategic goals that achieve the vision and mission of the company were identified, taking into account the following perspectives:**

- ★ Financial perspective: includes areas and directions of investment in the projects, in addition to managing the investment of liquid assets portfolio.
- ★ Learning and growth perspective: includes Learn and growth in the Arab world, in addition to raise the corporate and individual performance in the company through continuous learning and development.
- ★ Internal business process perspective: includes the organizational structure, job descriptions, organizational relationships, and emerges in all policies and procedures associated with the operation of the company.
- ★ Relevant parties perspective: includes the following:

<ul style="list-style-type: none"><li>• Similar investment or consulting companies</li><li>• Mining laboratories and research centers</li><li>• Arab or international organizations, bodies or unions</li><li>• Financial institutions</li></ul>	<ul style="list-style-type: none"><li>• Projects</li><li>• Contributed in companies</li><li>• Strategic partners and global professionals</li></ul>
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## **Strategic Goals:**

To achieve the following strategic goals, initiatives and activities have been identified within an operational plan that includes necessary KPIs for follow ups.

### **First: Increase the effectiveness of capital and maximize the value of the company.**

- ★ Monitor the performance of existing investments through the development of KPIs and follow-up methodology.
- ★ Search for new investment opportunities by focusing on strategic minerals such as polysilicon and radioactive metals, rare earth metals, tantalum and tin, Niobium, etc.
- ★ Diversify investment of liquid assets portfolio through the purchase of stocks of strategic Arab mining companies.

### **Second: Develop the Arab mining industries.**

- ★ Establishment of "Arab Mining Industries Development Center."

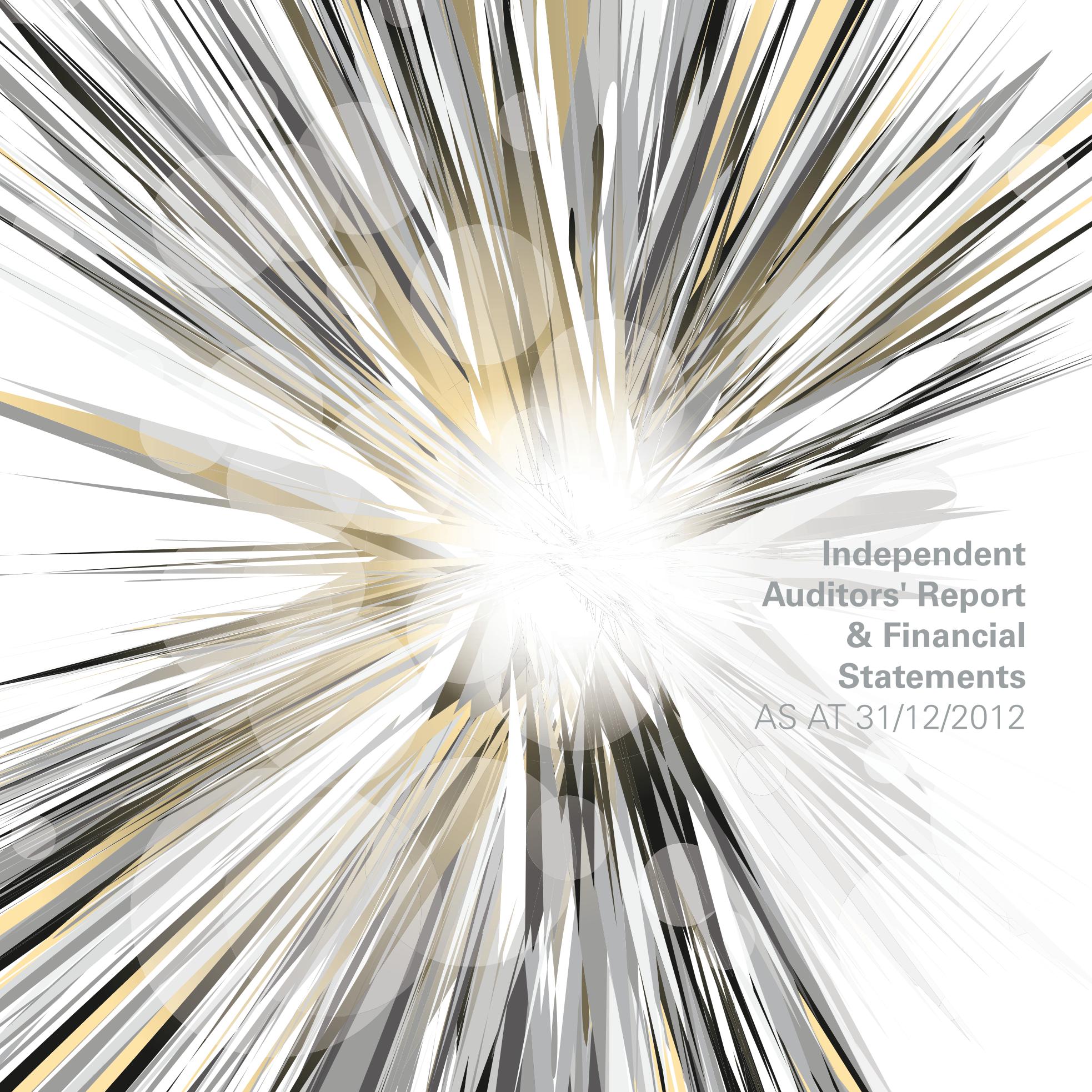
### **Third: Develop the institutional and individual performance in the company through continuous learning and development.**

### **Fourth: Improve the efficiency of the internal processes in the company which includes modifying the organizational structure in order to serve the requirements and needs of the company's future and regulates the internal operations of the company.**

### **Fifth: Promote and activate the role of the Company at the Arab and the international level through establishing and developing relationships with Arab or international institutions, companies, organizations or bodies relevant to the company's activities. By:**

- ★ Technical cooperation agreements
- ★ Strategic alliances
- ★ Implementation of joint projects

### **Sixth: Conduct studies and specialized researches that support the Arab Mining Sector. Studies such as the metals used in the production of alternative energy and rare earth metals.**



Independent  
Auditors' Report  
& Financial  
Statements  
AS AT 31/12/2012

**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 2012 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 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Amman – Jordan  
21 March 2013



ARAB MINING COMPANY  
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2012

	Notes	2012 KWD	2011 KWD
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	6	1,100,142	1,107,466
Investments in associates	7	3,723,806	2,978,914
Available-for-sale investments	8	330,832,029	310,564,010
Long-term receivables, net	9	-	-
Long-term employees' housing loans	10	101,618	124,809
		<b>335,757,595</b>	<b>314,775,199</b>
<b>Current Assets</b>			
Accounts receivable and other current assets	11	89,081	80,139
Due from related parties	12	138,126	237,994
Trading investments	13	6,457,136	6,470,884
Accrued revenues	14	548,028	448,915
Term deposits	15	44,246,347	29,892,993
Cash on hand and at banks	16	86,976	32,012
		<b>51,565,694</b>	<b>37,162,937</b>
<b>TOTAL ASSETS</b>		<b>387,323,289</b>	<b>351,938,136</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Equity</b>			
Paid-in capital	17	54,470,000	54,470,000
Statutory reserve	18	11,355,661	8,890,107
General reserve	18	4,477,455	2,011,901
Foreign currency translation reserve		( 537,646)	(449,067)
Cumulative change in fair value	8	285,243,892	266,642,598
Retained earnings		31,403,600	18,599,916
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>386,412,962</b>	<b>350,165,455</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Provision for BOD members' end of membership	19	79,696	72,126
Provision for employees' vacation		53,546	41,638
Provision for employees' end of service indemnity	20	582,305	451,835
		<b>715,547</b>	<b>565,599</b>
<b>Current Liabilities</b>			
Accounts payable and other current liabilities	21	185,317	1,198,905
Accrued expenses		9,463	8,177
		<b>194,780</b>	<b>1,207,082</b>
<b>Total Liabilities</b>		<b>910,327</b>	<b>1,772,681</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>387,323,289</b>	<b>351,938,136</b>

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

ARAB MINING COMPANY  
INCOME STATEMENT - YEAR ENDED 31 DECEMBER 2012

	Notes	2012 KWD	2011 KWD
Dividends income	22	23,544,406	11,334,561
Bank revenues		774,410	724,490
Share of profit (loss) of associates	7	683,871	(74,151)
Change in fair value of trading investments		393,765	10,925
Profit on investments, net	23	393,685	-
Income from trading investments		-	23,161
Other revenues		113,714	111,517
<b>Net Investment Income</b>		<b>25,903,851</b>	<b>12,130,503</b>
Employees salaries, allowances and other benefits	24	(972,892)	(833,751)
General and administrative expenses	25	(433,739)	(445,791)
Loss on sale of property and equipment		(1,171)	(340)
Gain (loss) on currency exchange		159,493	(186,281)
Board Of Directors' remuneration		(112,000)	(112,000)
<b>Profit For The Year</b>		<b>24,543,542</b>	<b>10,552,340</b>

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

ARAB MINING COMPANY  
**STATEMENT OF COMPREHENSIVE INCOME - YEAR ENDED 31 DECEMBER 2012**

	Notes	2012 KWD	2011 KWD
Profit for the year		24,543,542	10,552,340
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations	7	(88,579)	(117,041)
Cumulative change in fair value of available for sale investments	8	18,601,294	135,262
<b>Other comprehensive income for the year</b>		<b>18,512,715</b>	<b>18,221</b>
<b>Total comprehensive income for the year</b>		<b>43,056,257</b>	<b>10,570,561</b>

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

ARAB MINING COMPANY  
STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 DECEMBER 2012

	Paid in capital KWD	Statutory reserve KWD	General reserve KWD	Foreign currency translation reserve KWD	Cumulative change in fair value KWD	Retained earnings KWD	Total KWD
<b>2012 -</b>							
<b>Balance at 1 January 2012</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>
Profit for the year	-	-	-	-	-	24,543,542	24,543,542
Other comprehensive income	-	-	-	( 88,579)	18,601,294	-	18,512,715
Total comprehensive income for the year	-	-	-	( 88,579)	18,601,294	24,543,542	43,056,257
Transfers	-	2,465,554	2,465,554	-	-	(4,931,108)	-
Dividends paid for the year 2011	-	-	-	-	-	(6,808,750)	(6,808,750)
<b>Balance at 31 December 2012</b>	<b>54,470,000</b>	<b>11,355,661</b>	<b>4,477,455</b>	<b>(537,646)</b>	<b>285,243,892</b>	<b>31,403,600</b>	<b>386,412,962</b>
<b>2011-</b>							
<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>

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

ARAB MINING COMPANY  
STATEMENT OF CASH FLOWS - YEAR ENDED 31 DECEMBER 2012

	NOTES	2012 KWD	2011 KWD
<b>OPERATING ACTIVITIES</b>			
Profit for the year		24,543,542	10,552,340
<b>Adjustments for:</b>			
Depreciation	6	17,959	15,149
Loss on disposal of property and equipment		1,171	340
Bank revenues		(774,410)	(724,490)
Change in fair value of trading investments		(393,765)	(10,925)
Share of (profit) loss of associates	7	(683,871)	74,151
Provision for BOD members' end of membership indemnity		11,000	11,000
Provision for employees' end of service	20	162,427	131,679
Provision for employees' vacation	24	14,937	4,924
<b>Working capital changes:</b>			
Accounts receivable and other current assets		(8,942)	(8,333)
Due from related parties		99,868	(111,428)
Trading investments		407,513	68,675
Accounts payable and other current liabilities		(1,013,588)	1,109,707
Accrued expenses		1,286	(766)
Employees' end of service indemnity and vacation paid		(34,986)	(62,096)
BOD members' end of membership paid		(3,430)	(7,780)
<b>Net cash flows from operating activities</b>		<b>22,346,711</b>	<b>11,042,147</b>
<b>INVESTING ACTIVITIES</b>			
Long-term employees' housing loans		23,191	10,607
Term deposits		(14,353,354)	6,098,343
Purchase of investments in associates and available-for-sale investments		(1,816,325)	(12,025,239)
Purchase of property and equipment	6	(11,806)	(909,063)
Bank revenues received		675,297	1,051,251
<b>Net cash flows used in investing activities</b>		<b>(15,482,997)</b>	<b>(5,774,101)</b>
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(6,808,750)	(5,447,000)
<b>Net cash flows used in financing activities</b>		<b>(6,808,750)</b>	<b>(5,447,000)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>54,964</b>	<b>(178,954)</b>
Cash and cash equivalents at the beginning of the year		32,012	210,966
<b>Cash and equivalent at the end of the year</b>		<b>86,976</b>	<b>32,012</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 2012

## **(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 statements for the year ended 31 December 2012 are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2012:

### **IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements**

The adoption of the amendments is described below:

### **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 the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Company does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

## **(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 follows:

### **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 its 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 value 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 BOD members' end of membership 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

2012	Lands	Company's building	Furniture and fixtures	Machinery, equipment and Software	Vehicles	Total
	KWD	KWD	KWD	KWD	KWD	KWD
<b>Cost</b>						
At 1 January	1,023,250	753,949	219,821	125,542	86,388	2,208,950
Additions	-	-	2,046	9,760	-	11,806
Disposals	-	-	(3,413)	(13,806)	(1,082)	(18,301)
At 31 December	1,023,250	753,949	218,454	121,496	85,306	2,202,455
<b>Accumulated depreciation</b>						
At 1 January	-	753,874	213,495	85,740	48,375	1,101,484
Depreciation for the year	-	50	1,001	10,716	6,192	17,959
Disposals	-	-	(3,385)	(12,664)	(1,081)	(17,130)
At 31 December	-	753,924	211,111	83,792	53,486	1,102,313
<b>Net book value</b>						
<b>at 31 December 2012</b>	<b>1,023,250</b>	<b>25</b>	<b>7,343</b>	<b>37,704</b>	<b>31,820</b>	<b>1,100,142</b>
<b>2011</b>						
Cost	KWD	KWD	KWD	KWD	KWD	KWD
At 1 January	158,743	753,949	218,871	125,850	77,420	1,334,833
Additions	864,507	-	1,399	17,352	25,805	909,063
Disposals	-	-	(449)	(17,660)	(16,837)	(34,946)
At 31 December	1,023,250	753,949	219,821	125,542	86,388	2,208,950
<b>Accumulated depreciation</b>						
At 1 January	-	753,824	213,089	93,918	60,110	1,120,941
Depreciation for the year	-	50	847	9,151	5,101	15,149
Disposals	-	-	(441)	(17,329)	(16,836)	(34,606)
At 31 December	-	753,824	213,495	85,740	48,375	1,101,484
<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>

## (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 KWD	Increase in Capital KWD	Share of profit KWD	Foreign currency translation differences KWD	Balance at the end of the year KWD
Industries Chimiques due Fluor/Tunisia	26.67%	2,241,020	149,600	639,785	(97,232)	2,933,173
Gulf Stone Company/ Oman	25%	737,894	-	44,086	8,653	790,633
		<b>2,978,914</b>	<b>149,600</b>	<b>683,871</b>	<b>(88,579)</b>	<b>3,723,806</b>

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

	2012			2011				
	GULF STONE COMPANY		INDUSTRIES CHIMIQUES DUE FLUOR	TOTAL	GULF STONE COMPANY		INDUSTRIES CHIMIQUES DUE FLUOR	TOTAL
	KWD	KWD	KWD	KWD	KWD	KWD	KWD	
Non-current assets								
Current assets	594,255		1,703,752	2,298,007	621,083		1,446,622	2,067,705
Non-current liabilities								
Current liabilities	616,776		2,928,199	3,544,975	482,839		2,102,359	2,585,198
	(67,050)		(497,247)	(564,297)	(61,911)		(53,233)	(115,144)
<b>Net assets</b>	<b>(353,348)</b>		<b>(1,201,531)</b>	<b>(1,554,879)</b>	<b>(304,117)</b>		<b>(1,254,728)</b>	<b>(1,558,845)</b>
	<b>790,633</b>		<b>2,933,173</b>	<b>3,723,806</b>	<b>737,894</b>		<b>2,241,020</b>	<b>2,978,914</b>

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

	2012			2011				
	GULF STONE COMPANY		INDUSTRIES CHIMIQUES DUE FLUOR	TOTAL	GULF STONE COMPANY		INDUSTRIES CHIMIQUES DUE FLUOR	TOTAL
	KWD	KWD	KWD	KWD	KWD	KWD	KWD	
Revenues								
Profit (loss) for the year	672,073		4,032,751	4,704,824	673,457		3,370,883	4,044,340
	44,086		639,785	683,871	85,082		(159,233)	(74,151)

## (8) AVAILABLE-FOR- SALE INVESTMENTS

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

**a) Unquoted investments \* :**

Al Masane Al Kobra Mining Company / Saudi Arabia

Societe Nationale Industrielle et Miniere (SNIM)/Mauritania

Jordan Abyad Fertilizers and Chemicals Company/ Jordan

Arab Detergent Chemicals Co. (ARADET)/ Iraq

Geulb Moghrein Mines d'Akjoujt (GEMAK)/ Mauritania \*\*

**b) Quoted investments :**

Arab Potash Co./Jordan

Saudi Co. for Preliminary Industries (Sabek)/ Saudi Arabia

Qatar Industry Co./Qatar

Jordan Phosphate Mines Co./Jordan

Buobyan Petrochemical Co./Kuwait

Yanbu National Petrochemical Company (Yansab)/ Saudi Arabia

	2012	2011
	KWD	KWD
Al Masane Al Kobra Mining Company / Saudi Arabia	11,679,780	10,567,780
Societe Nationale Industrielle et Miniere (SNIM)/Mauritania	3,662,251	3,662,251
Jordan Abyad Fertilizers and Chemicals Company/ Jordan	3,389,983	2,859,433
Arab Detergent Chemicals Co. (ARADET)/ Iraq	791,578	791,578
Geulb Moghrein Mines d'Akjoujt (GEMAK)/ Mauritania **	193,830	193,830
	19,717,422	18,074,872
Arab Potash Co./Jordan	300,084,437	281,668,166
Saudi Co. for Preliminary Industries (Sabek)/ Saudi Arabia	2,904,633	3,077,666
Qatar Industry Co./Qatar	2,653,480	2,238,296
Jordan Phosphate Mines Co./Jordan	2,580,500	2,503,410
Buobyan Petrochemical Co./Kuwait	2,222,850	3,001,600
Yanbu National Petrochemical Company (Yansab)/ Saudi Arabia	668,707	-
	<b>311,114,607</b>	<b>292,489,138</b>
	<b>330,832,029</b>	<b>310,564,010</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 Moghrein 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:

	BALANCE AT 1 JANUARY	CHANGE IN FAIR VALUE	BALANCE AT 31 DECEMBER
2012-	KWD	KWD	KWD
Arab Potash Co./Jordan	264,225,431	18,416,271	282,641,702
Saudi Co. for Preliminary Industries (Sabek)/ Saudi Arabia	1,077,644	(173,033)	904,611
Qatar Industry Co./Qatar	739,340	415,184	1,154,524
Jordan Phosphate Mines Co./Jordan	(402,724)	77,090	(325,634)
Boubyan Petrochemicals Co./Kuwait	1,002,907	(209,159)	793,748
Yanbu National Petrochemical Company (Yansab) / Saudi Arabia	-	74,941	74,941
	<b>266,642,598</b>	<b>18,601,294</b>	<b>285,243,892</b>
2011-			
Arab Potash Co./Jordan	263,221,058	1,004,373	264,225,431
Saudi Co. for Preliminary Industries (Sabek)/ Saudi Arabia	1,390,064	(312,420)	1,077,644
Qatar Industry Co./Qatar	865,029	(125,689)	739,340
Jordan Phosphate Mines Co./Jordan	189,079	(591,803)	(402,724)
Boubyan Petrochemicals Co./Kuwait	842,106	160,801	1,002,907
	<b>266,507,336</b>	<b>135,262</b>	<b>266,642,598</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:

	2012 KWD	2011 KWD
Iraqi Government /Arab Somali Mining Co.	-	43,394
Somali Government / Arab Somali Mining Co.	62,644	131,394
	62,644	174,788
<b>Provision for long term receivables</b>	<b>(62,644)</b>	<b>(174,788)</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:

	2012 KWD	2011 KWD
Balance at beginning of the year	124,809	135,416
Less: Installments paid during the year	(23,191)	(10,607)
<b>Balance at end of the year</b>	<b>101,618</b>	<b>124,809</b>

#### **(11) ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS**

This item consists of the following:

	2012 KWD	2011 KWD
Advances to employees	51,584	32,091
Prepaid expenses	30,422	32,574
Accounts receivable	3,801	12,218
Refundable deposits	1,784	1,766
Mineral samples	1,490	1,490
	<b>89,081</b>	<b>80,139</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:

	2012	2011
	KWD	KWD
<b>Due from related parties</b>		
Jordan Abyad Fertilizers and Chemicals company*	138,126	125,180
Industries chimiques Due Flour company	-	112,814
	<b>138,126</b>	<b>237,994</b>
	2012	2011
	KWD	KWD
Dividends payable to shareholders (included in accounts payable and other current liabilities)	69,750	659,000

\* At the end of 2010, the Company granted Jordan Abyad Fertilizers and Chemicals Company/ Jordan a loan amounted to JD 300,000 (KWD 119,100). The loan bears annual interest rate of 6%. During October 2012, the Company had offered another loan to Jordan Abyad for Fertilizers and Chemicals Company /Jordan amounting to JD 1,350,000 (KWD 530,550) and bears annual interest rate of 6%. The loan was recorded within the investment account in light of the decision of the General Assembly of Jordan Abyad for Fertilizers and Chemicals Company /Jordan in December 2012; the loan will be capitalized by the - Jordan Abyad for Fertilizers and Chemicals Company /Jordan in 2013.

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

	2012	2011
	KWD	KWD
Interest income (included in the Bank revenues) -		
Jordan Abyad Fertilizers and Chemicals Company	11,555	7,170
Compensation of key management personnel:		
Salaries and other benefits (included in employees salaries, allowances and other benefits)	133.627	118.122

## (13) TRADING INVESTMENTS

This item consists of the following:

	2012	2011
	KWD	KWD
Arab Potash Company shares/ Jordan	6,457,136	6,470,884
	<b>6,457,136</b>	<b>6,470,884</b>

## (14) ACCRUED REVENUES

This item consists of the following:

	2012	2011
	KWD	KWD
Accrued bank revenues on term deposits	548,028	448,915
	<b>548,028</b>	<b>448,915</b>

## (15) TERM DEPOSITS

This item consists of the following:

	2012	2011
	KWD	KWD
Deposits in Kuwaiti Dinar	26,966,514	25,402,079
Deposits in U.S Dollar	15,031,700	2,059,700
Deposits in Jordanian Dinar	2,248,133	2,431,214
	<b>44,246,347</b>	<b>29,892,993</b>

Term deposits are for terms ranging from three months to one year at average interest rates ranging from 1.9% to 2.3% on KWD deposits (2011: 1.7% to 2.4%) and ranging from 3.75% to 4.85% on JD deposits (2011: 3.25% to 4.125%) and 1% on US dollar deposits (2011: 1%).

## (16) CASH ON HAND AND AT BANKS

This item consists of the following:

	2012	2011
	KWD	KWD
Current accounts	81,479	27,385
Cash on hand	5,497	4,627
	<b>86,976</b>	<b>32,012</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 BOD MEMBERS' END OF MEMBERSHIP

	2012	2011
	KWD	KWD
Balance at the beginning of the year	72,126	68,906
Provision for the year	11,000	11,000
End of membership paid to BOD members	(3,430)	(7,780)
Balance at the end of the year	<b>79,696</b>	<b>72,126</b>

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

	2012	2011
	KWD	KWD
Balance at the beginning of the year	451,835	364,050
Provision for the year	162,427	131,679
End of service indemnity paid to employees	(27,563)	(48,069)
(Loss) Profit on currency exchange	(4,394)	4,175
Balance at the end of the year	<b>582,305</b>	<b>451,835</b>

## (21) ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

This item consists of the following:

	2012	2011
	KWD	KWD
Board of Directors' remuneration	112,000	112,000
Dividends payable to shareholders	69,750	659,000
General deposits	2,153	-
Accounts payable	1,414	427,905
	<b>185,317</b>	<b>1,198,905</b>

## (22) DIVIDENDS INCOME

This item consists of the following:

	2012	2011
	KWD	KWD
Arab Potash Co. / Jordan	19,571,862	8,237,945
Societe Nationale Insudtruelle et Miniere (SNIM)/ Mauritania	3,193,757	2,344,413
Arab detergent chemicals Co. (ARADET)/ Iraq	250,200	310,200
Saudi Co. for preliminary industries (Sabek)/ Saudi Arabia	159,879	129,454
Buobyan Betrochemical Co. /Kuwait	153,300	187,600
Qatar Industry Co. /Qatar	126,983	94,217
Jordan Phosphate Mines Co./ Jordan	88,425	30,732
	<b>23,544,406</b>	<b>11,334,561</b>

## (23) PROFITS ON INVESTMENTS, NET

This item consists of the following:

	2012	2011
	KWD	KWD
Gain from sale of available for Sale Investments (Buobyan Co. shares)	391,719	-
Gain from sale of trading investments (Arab Potash Co. shares)	1,966	-
	<b>393,685</b>	-

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

This item consists of the following:

	2012	2011
	KWD	KWD
Salaries and allowances	516,022	457,758
Provision for end of service indemnity	162,427	131,679
Medical treatments and staff insurance	83,849	88,017
Employees' incentive bonus	77,392	50,571
Company's contribution to social security	45,483	38,046
Company's contribution to employees saving fund	32,792	25,922
Private incentive bonus	28,592	27,609
Provision for employees vacations	14,937	4,924
Transportation allowance	11,398	9,225
	<b>972,892</b>	<b>833,751</b>

## (25) GENERAL AND ADMINISTRATIVE EXPENSES

This item consists of the following:

	2012	2011
	KWD	KWD
Board of Directors meetings expenses	156,005	165,076
Travel expenses	51,593	39,987
Searching for investment opportunities expenses	47,092	52,753
Part time consultants	32,924	15,175
Depreciation	17,959	15,149
Press and printing	15,133	12,033
Training expenses	14,664	19,337
Maintenance expenses	13,537	16,374
Post and telephone	12,413	14,235
End of service indemnity	11,000	11,000
Hospitality expense	9,016	10,164
Vehicles expenses	8,879	5,676
Electricity, water and heating	8,746	8,881
Donations	6,194	3,994
Bank charges	5,650	11,458
General Assembly expenses	3,585	4,530
Insurance expenses	3,483	2,847
Stationary and office equipment	2,731	1,864
Subscription in Arab unions fees	2,537	2,573
Others	10,598	32,685
	<b>433,739</b>	<b>445,791</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 2012 and 2011, 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 2012 and 2011.

#### 2012

CURRENCY	INCREASE IN BASIS POINTS	EFFECT ON PROFIT FOR THE YEAR
KWD	100	KWD 269,665
JD	100	23,863
USD	100	150,317

CURRENCY	DECREASE IN BASIS POINTS	EFFECT ON PROFIT FOR THE YEAR
KWD	100	KWD (269,665)
JD	100	(23,863)
USD	100	(150,317)

#### 2011

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

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



## 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.

2012

	CHANGE IN EQUITY PRICE	EFFECT ON PROFIT FOR THE YEAR	EFFECT ON EQUITY
	%	KWD	KWD
Amman Stock Exchange	10	645,714	30,266,494
Other markets	10	-	844,967

2011

	CHANGE IN EQUITY PRICE	EFFECT ON PROFIT FOR THE YEAR	EFFECT ON EQUITY
	%	KWD	KWD
Amman Stock Exchange	10	647,088	28,417,158
Other markets	10	-	831,756

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 2012 and 2011, based on contractual payment dates and current market interest rates.

31 DECEMBER 2012

	3 TO 12 MONTHS	TOTAL
	KWD	KWD
Accounts payable	1,414	1,414

31 DECEMBER 2011

	3 TO 12 MONTHS	TOTAL
	KWD	KWD
Accounts payable	427,905	427,905

## 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 and US Dollar, 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.

### 2012

CURRENCY	INCREASE IN THE FOREIGN EXCHANGE RATE AGAINST THE KWD	EFFECT ON PROFIT FOR THE YEAR KWD
	%	
JD	10	884,340
USD	10	1,503,170

CURRENCY	DECREASE IN THE FOREIGN EXCHANGE RATE AGAINST THE KWD	EFFECT ON PROFIT FOR THE YEAR KWD
	%	
JD	10	(884,340)
USD	10	(1,503,170)

### 2011

CURRENCY	INCREASE IN THE FOREIGN EXCHANGE RATE AGAINST THE KWD	EFFECT ON PROFIT FOR THE YEAR KWD
	%	
JD	10	902,728
USD	10	205,970

CURRENCY	DECREASE IN THE FOREIGN EXCHANGE RATE AGAINST THE KWD	EFFECT ON PROFIT FOR THE YEAR KWD
	%	
JD	10	(902,728)
USD	10	(205,970)



## **(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 19,717,422 as of 31 December 2012 (2011: KWD 18,074,872). 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 2012 and 2011.

Capital comprises share capital, statutory and general reserve and retained earnings, and is measured at KWD 101,706,716 as at 31 December 2012 (2011: KWD 83,971,924).

## **(29) 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 Company's financial statements are disclosed below. The Company 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 Company'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 Company's first annual report after becoming effective.

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

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 the amendments to have any impact on its financial position or performance as the Company does not have employees benefit plans. 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 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 Company’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 Company’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 (IN CASE NOT ADOPTED YET)**

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 Company’s financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

## **IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to 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 Company'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 Company is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analysis, 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 Company, 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.