Al-Salbookh Trading Company K.S.C. (Closed)

Financial Statements
and Independent Auditors' Report

For the year ended 31 December 2013

Al-Salbookh Trading Company K.S.C. (Closed)

Financial statements and independent auditors' report
For the year ended 31 December 2013

Contents **Pages**

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL-SALBOOKH TRADING COMPANY K.S.C. (CLOSED)

Report on the financial statements

We have audited the accompanying financial statements of Al-Salbookh Trading Company K.S.C. (Closed) ("the company"), which comprise the statement of financial position as at 31 December 2013 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's 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 (IFRSs), 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 about 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 auditor's judgement, 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 in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 aspects, the financial position of the company as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

AL-WAHA
AUDITING OFFICE
ALI OWAID RUKHAEYES

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL-SALBOOKH TRADING COMPANY K.S.C. (CLOSED) (Continued)

Report on the financial statements (continued)

Emphasis of a matter

We draw attention to note 10 to the financial statements which describes the fact that trade receivables amounting to KD 1,050,700 represent amounts due from three customers which are subject to legal cases. As per the company's legal counsel, it is highly probable that the outcome of the above cases is expected to be in the favor of the company. Accordingly, no impairment has been taken by the management against those receivables. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of accounts have been kept by the company and the financial statements, together with the contents of the report of the company's board of directors relating to these financial statements, are in accordance therewith. We further report that we obtained all information and explanations that we required for the purpose of our audit and that the financial statements incorporate all information that is required by the Kuwait Companies Law no. 25 of 2012, as amended and by the company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Kuwait Companies Law no. 25 of 2012, as amended nor of the company's articles of association have occurred during the year ended 31 December 2013 that might have had a material effect on the business of the company or on its financial position except for the fact the company holds investment in real estate properties which is not allowed under the company's articles of association.

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Kuwait

Al-Salbookh Trading Company K.S.C. (Closed)

Statement of financial position
(All amounts in Kuwaiti Dinars unless otherwise stated)

		As at 31 December	
	Note	**2013**	2012
Assets			
Non-current assets			
Property and equipment	5	**1,203,655**	2,087,333
Intangible assets	6	**2,065,625**	2,251,770
Investment properties	7	**1,650,000**	1,550,000
Available for sale financial assets	8	**856,767**	786,267
		5,776,047	6,675,370
Current assets			
Inventories	9	**3,214,960**	3,646,076
Trade and other receivables	10	**4,350,310**	4,373,766
Bank balances and cash	11	**237,404**	81,946
		7,802,674	8,101,788
Total assets		**13,578,721**	14,777,158
Equity and liabilities			
Equity			
Share capital	12	**10,494,204**	10,494,204
Treasury shares	13	**(1,165,213)**	(1,165,213)
Reserves		**1,152,363**	1,075,841
Accumulated losses		**(1,094,141)**	(1,118,511)
Total equity		**9,387,213**	9,286,321
Liabilities			
Non-current liabilities			
Employees' end of service benefits	15	**144,294**	104,300
Non-current portion of term loans	16	**949,500**	1,549,500
		1,093,794	1,653,800
Current liabilities			
Trade and other payables	17	**1,940,796**	2,166,114
Notes payable	18	**423,000**	963,000
Current portion of term loans	16	**600,000**	600,000
Bank overdrafts	11	**133,918**	107,923
		3,097,714	3,837,037
Total liabilities		**4,191,508**	5,490,837
Total equity and liabilities		**13,578,721**	14,777,158

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Mohammad O. Al Aiban
Chairman

The accompanying notes set out on pages 9 to 35 form an integral part of these financial statements.

Al-Salbookh Trading Company K.S.C. (Closed)

Statement of income
(All amounts in Kuwaiti Dinars unless otherwise stated)

	Note	Year ended 31 December 2013	2012
Sales		**7,656,273**	8,819,594
Cost of sales		**(6,758,112)**	(8,795,570)
Gross profit		**898,161**	24,024
Rental and other income		**468,934**	267,681
Unrealised gain on revaluation of investment properties	7	**100,000**	260,000
Gain on sale of property and equipment		**12,084**	8,368
Impairment of property and equipment	5	**(211,981)**	-
Impairment of available for sale financial assets	8	**-**	(81,483)
Impairment of trade and other receivables	10	**-**	(362,370)
Provision for impairment of trade and other receivables no longer required	10	**-**	30,478
General and administrative expenses		**(735,637)**	(689,487)
Depreciation and amortisation	5 & 6	**(402,732)**	(421,699)
Finance costs		**(104,459)**	(154,023)
Profit/(loss) for the year	19	**24,370**	(1,118,511)
Basic and diluted earnings/(loss) per share (fils)	20	**0.24 fils**	(11.02) fils

The accompanying notes set out on pages 9 to 35 form an integral part of these financial statements.

Statement of comprehensive income
(All amounts in Kuwaiti Dinars unless otherwise stated)

	Note	Year ended 31 December 2013	2012
Profit/(loss) for the year		**24,370**	(1,118,511)
Other comprehensive income			
Items that are or may be reclassified subsequently to the statement of income			
Change in fair value of available for sale financial assets	8	**70,500**	(123,483)
Impairment of available for sale financial assets		**-**	81,483
Exchange differences arising on translation of foreign operations		**6,022**	192,182
Other comprehensive income for the year		**76,522**	150,182
Total comprehensive income/(loss) for the year		**100,892**	(968,329)

The accompanying notes set out on pages 9 to 35 form an integral part of these financial statements.

Statement of changes in equity
(All amounts in Kuwaiti Dinars unless otherwise stated)

	Share capital	Treasury shares	Reserves: Share premium	Reserves: Statutory reserve	Reserves: Voluntary reserve	Reserves: Fair value reserve	Reserves: Foreign currency translation reserve	Reserves: Revaluation surplus	Reserves: Total reserves	Accumulated losses	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2012	**20,475,000**	**(1,165,213)**	**8,766,375**	**1,495,897**	**758,661**	**(85,250)**	**(472,981)**	**318,677**	**10,781,379**	**(19,836,516)**	**10,254,650**
Loss for the year	-	-	-	-	-	-	-	-	-	(1,118,511)	(1,118,511)
Other comprehensive income											
Change in fair value of available for sale financial assets (note 8)	-	-	-	-	-	(123,483)	-	-	(123,483)	-	(123,483)
Impairment of available for sale financial assets	-	-	-	-	-	81,483	-	-	81,483	-	81,483
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	192,182	-	192,182	-	192,182
Total other comprehensive (loss)/income for the year	**-**	**-**	**-**	**-**	**-**	**(42,000)**	**192,182**	**-**	**150,182**	**-**	**150,182**
Total comprehensive (loss)/ income for the year	**-**	**-**	**-**	**-**	**-**	**(42,000)**	**192,182**	**-**	**150,182**	**(1,118,511)**	**(968,329)**
Offsetting of accumulated losses (Note 12)	(9,980,796)	-	(7,601,162)	(1,495,897)	(758,661)	-	-	-	(9,855,720)	19,836,516	-
Balance at 31 December 2012	**10,494,204**	**(1,165,213)**	**1,165,213**	**-**	**-**	**(127,250)**	**(280,799)**	**318,677**	**1,075,841**	**(1,118,511)**	**9,286,321**

The accompanying notes set out on pages 9 to 35 form an integral part of these financial statements.

Al-Salbookh Trading Company K.S.C. (Closed)

Statement of changes in equity

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Share capital	Treasury shares	Reserves: Share premium	Reserves: Fair value reserve	Reserves: Foreign currency translation reserve	Reserves: Revaluation surplus	Reserves: Total reserves	Accumulated losses	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2013	**10,494,204**	**(1,165,213)**	**1,165,213**	**(127,250)**	**(280,799)**	**318,677**	**1,075,841**	**(1,118,511)**	**9,286,321**
Profit for the year	-	-	-	-	-	-	-	24,370	24,370
Other comprehensive income									
Change in fair value of available for sale financial assets (note 8)	-	-	-	70,500	-	-	70,500	-	70,500
Exchange differences arising on translation of foreign operations	-	-	-	-	6,022	-	6,022	-	6,022
Total other comprehensive income	**-**	**-**	**-**	**70,500**	**6,022**	**-**	**76,522**	**-**	**76,522**
Total comprehensive income for the year	**-**	**-**	**-**	**70,500**	**6,022**	**-**	**76,522**	**24,370**	**100,892**
Balance at 31 December 2013	**10,494,204**	**(1,165,213)**	**1,165,213**	**(56,750)**	**(274,777)**	**318,677**	**1,152,363**	**(1,094,141)**	**9,387,213**

The accompanying notes set out on pages 9 to 35 form an integral part of these financial statements.

Statement of cash flows
(All amounts in Kuwaiti Dinars unless otherwise stated)

	Note	Year ended 31 December 2013	2012
Operating activities			
Profit/(loss) for the year		**24,370**	(1,118,511)
Adjustments for:			
Depreciation and amortisation	5 & 6	**924,429**	962,457
Gain on sale of property and equipment	5	**(12,084)**	(8,368)
Impairment of property and equipment	5	**211,981**	-
Unrealised gain on revaluation of investment properties	7	**(100,000)**	(260,000)
Impairment of available for sale financial assets	8	**-**	81,483
Impairment of trade and other receivables	10	**-**	362,370
Provision for impairment of trade and other receivables no longer required	10	**-**	(30,478)
Finance costs		**104,459**	154,023
Provision for employees' end of service benefits	15	**47,445**	29,073
		1,200,600	172,049
Changes in working capital:			
Trade and other receivables		**23,456**	1,046,669
Inventories		**431,116**	(637,722)
Trade and other payables		**(232,447)**	(19,623)
Net cash generated from operations		**1,422,725**	561,373
Employees' end of service benefits paid	15	**(7,268)**	(16,361)
Net cash generated from operating activities		**1,415,457**	545,012
Investing activities			
Purchase of property and equipment	5	**(144,606)**	(114,829)
Proceeds from disposal of property and equipment		**98,658**	8,368
Net cash used in investing activities		**(45,948)**	(106,461)
Financing activities			
Term loans		**(600,000)**	(600,000)
Notes payable		**(540,000)**	103,000
Finance costs paid		**(97,330)**	(98,590)
Net cash used in financing activities		**(1,237,330)**	(595,590)
Effect of foreign currency translation		**(2,716)**	10,537
Net increase/(decrease) in cash and cash equivalents		**129,463**	(146,502)
Cash and cash equivalents at beginning of the year		**(25,977)**	120,525
Cash and cash equivalents at end of the year	11	**103,486**	(25,977)

The accompanying notes set out on pages 9 to 35 form an integral part of these financial statements.

1 INCORPORATION AND ACTIVITIES

Al-Salbookh Trading Company K.S.C. (Closed) ("the company") was incorporated on 11 January 2005, according to Commercial Companies Law (15) for 1960, as amended. The company's shares are listed on the Kuwait Stock Exchange.

The company's main objectives are to perform all services necessary for industrial, technological and energy projects as well as all its related business. Accordingly, it performs the following:

- Contracting, importing, shipping, trading and extraction of aggregates, sand and all bulk materials related to the industry, in addition to, constructing and manufacturing quarrying after taking authorities permission.
- Owning and leasing ships and trucks to perform maritime transport activities and its requirements that are related to company objectives.
- Owning land transportation means and its requirements as well as performing its maintenance work that serves company's objectives.
- Owning and leasing lands and real estate necessary for practicing its activities.
- Utilising surplus funds by investing in real estate and investment portfolios managed by specialised companies.
- Constructing and managing factories and labs for extracting rocks and marbles after taking authorties permission.
- Acquiring agencies for marketing types of rocks and marbles after taking authorities permission.
- Manufacturing and trading of ready mix, rocks and marble material after taking authorities permission.
- Buying and importing equipment, tools and requirements necessary to carry out company objectives.
- Representing companies and applying for tenders similar to the company's activities.
- Organising specialised conferences and exhibitions.

The registered office of the company is Al Ardia Industrial -Block 2- Plot 84 – P.O. Box 1974, Safat 13020, State of Kuwait.

The company had 153 employees as at 31 December 2013 (2012: 165 employees).

The financial statements were authorised for issuance by the board of directors on _____ 2014. The shareholders' general assembly has the power to amend these financial statements after issuance.

The financial statements of the company for the year ended 31 December 2012 were approved by the shareholders at the Annual General Assembly Meeting held on ………. 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, IFRIC interpretations and the Companies Law no. 25 of 2012, as amended. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available for sale financial assets.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (continued)

The financial statements for the year ended 31 December 2013 include the financial statements of the company and Al-Salbookh Crushers Trading Company W.L.L. ('the branch") incorporated and operating in the United Arab Emirates. The branch's main operations include shipping, trading and extraction of aggregates.

2.1.1 Changes in accounting estimates, policies and disclosures

(a) New and amended standards adopted by the company:

The following standards have been adopted by the company for the first time for the financial year beginning on or after 1 January 2013:

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The company has presented items as required by the amendment by presenting items that are potentially reclassifiable to the statement of income.
- IAS 19, 'Employee benefits' was revised in June 2011. The changes on the company's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). This amendment did not have a material impact on the company.
- Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offseting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. This amendment did not have a material impact on the company.
- IFRS 13 "Fair Value Measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The company provided these disclosures in note 3.3.

(b) New standard, amended and interpretation issued and mandatory for the first time but not relevant to the company:

- IFRS 10 "Consolidated financial statements", effective 1 January 2013;
- IFRS 11 "Joint Arrangements", effective 1 January 2013;
- IFRS 12"Disclosures of interests in other entities", effective 1 January 2013;
- IAS 27 (revised 2011) "Separate financial statements", effective 1 January 2013;
- IAS 28 (revised 2011) "Associates and joint ventures", effective 1 January 2013;
- IFRIC 20 "Stripping costs in the production phase of a surface mine", effective 1 January 2013.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted:

- Amendment to IAS 32, 'Financial instruments: Presentation' - Offsetting financial assets and financial liabilities, effective for annual periods beginning on or after 1 January 2014;
- Amendment to IAS 36, 'Impairment of assets' – Recoverable amount disclosures for non-financial assets, effective for annual periods beginning on or after 1 January 2014;
- Amendment to IAS 39, 'Financial instruments: Recognition and measurement' – Novation of derivatives and continuation of hedge accounting, effective for annual periods beginning on or after 1 January 2014;
- IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2015;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting estimates, policies and disclosures

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted (continued):

- *Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities, effective for annual periods beginning on or after 1 January 2014; and
- IFRIC 21, 'Levies', effective for annual periods beginning on or after 1 January 2014.

* Not considered relevant to the company.

(d) Change in accounting estimates

During the year ended 31 December 2013, the company reviewed its inventory cost allocation methodology which is considered a change in accounting estimate. The effect of these changes, amounting to KD 612,910 for the current year, is recognised in cost of sales. Management believes that it is impracticable to estimate the impact of such change for future periods.

2.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who is responsible for allocating resources and assessing performance of the operating segments, have been identified as the board of directors.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements are presented in Kuwaiti Dinars (KD) which is the company's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of income within 'general and administrative expenses'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Foreign currency translation (continued)

(c) Foreign operations

The results and financial position of all foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) Assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position;
b) Income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
c) All resulting exchange differences are recognised in other comprehensive income.

2.4 Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10 years
Machines and equipment	5 – 7 years
Furniture, fixtures and leasehold improvements	5 years
Motor vehicles	5 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at least at the end of each reporting period. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal (if any) are determined by comparing the proceeds with the carrying amounts and are recognised within in the statement of income.

2.5 Intangible assets

Intangible assets represent rights to utilise land by the company from the Government of Fujaira in the United Arab Emirates. Utilisation rights acquired separately are measured on initial recognition at cost. Following initial recognition, utilisation rights are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

Utilisation rights with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Intangible assets (continued)

Amortisation is calculated using the straight-line method to allocate their cost to their residual values over 14 years.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on utilisation right with finite lives is recognised in the statement of income.

2.6 Investment properties

Investment property is initially measured at cost including transaction costs. Transaction costs include professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in fair values are included in the statement of income in the year in which they arise. Management of the company has determined that fair valuation of investment properties will be determined by independent, registered, real estate assessors or by reference to recent transactions in similar properties and will be performed on a semi-annual basis.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in the statement of income in the year of retirement or disposal. Gains or losses on the disposal of investment property are determined as the difference between the net disposal proceeds and the carrying value of the asset in the previous full period financial statements.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.8 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets

2.9.1 Classification

The company classifies its financial assets as loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The company's loans and receivables comprise "trade and other receivables" and "bank balances and cash".

Trade and other receivables
Trade and other receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Cash and cash equivalents
In the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks net of bank overdrafts. In the statement of financial position, bank balances and cash comprise of cash on hand and deposits held at call accounts with financial institutions while bank overdrafts are shown as a separate line within current liabilities.

(b) Available for sale financial asset
Available for sale financial assets are non-derivative financial assets that are either designated in this category or not classified in other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.9.2 Recognition, measurement and derecognition

Regular purchases and sales of financial assets are recognised on the trade date which is the date the company commits to purchase or sell the asset.

Loans and receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method less provision for impairment.

Available for sale financial assets are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in the statement of other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in the statement of changes in equity are included in the statement of income.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

2.9.3 Impairment of financial assets

(a) Assets classified as available for sale
The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

A significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available for sale financial asset, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of income – is removed from the statement of changes in equity and recognised in the statement of income. Impairment losses recognised in the statement of income on equity instruments are not reversed through the statement of income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (continued)

2.9.3 Impairment of financial assets (continued)

(b) Assets carried at amortised cost

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of income. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of income.

2.10 Treasury shares

Treasury shares consist of the company's own shares that have been issued, subsequently reacquired by the company and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When treasury shares are reissued, gains are credited to a separate account in equity, which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.11 Employees' end of service benefits

The company is liable under Kuwaiti Labor Law, to make payments to the employees for post employment benefits through defined benefits plan. Such payment is made on a lump sum basis at the end of an employee's service. This liability is unfunded and has been computed as the amount payable as a result of involuntary termination of the company's employees on the financial position date. The company expects this method to produce a reliable approximation of the present value of this obligation.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the company.

All financial liabilities are initially recognised at fair value less directly attributable transaction costs. After initial recognition, financial liabilities are measured at amortised cost using the effective interest method. The company classifies its financial liabilities as “term loans”, “trade and other payables”, “notes payable” and “bank overdrafts”.

Term loans
Term loans are recognised initially at fair value, net of transaction costs incurred. Term loans are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of the loan using the effective interest method. Term loans are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.

Trade and other payables
Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.

Notes payable
Notes payable are recognised initially at fair value, net of transaction costs incurred. Notes payable are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of the loan using the effective interest method.

Fees paid on the establishment of facilities are recognised as transaction costs of the facilities to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facilities to which it relates.

2.13 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts and returns.

The company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the company's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenues from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

2.16 Finance costs

Finance costs on borrowing are calculated on the accrual basis and are recognised in the statement of income in the year in which they are incurred.

2.17 Leases

Where the company is the lessee - operating lease
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The company's activities expose it to a variety of financial risks such as market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out by the company's finance department as approved by the company's board of directors.

(a) Market risk

(i) Foreign currency risk

The company is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the UAE dirham and US dollar. Management has set up a policy to manage foreign currency risk against the company's functional currency. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

The company had the following significant net exposures denominated in foreign currencies:

	As at 31 December	
	2013	2012
	KD	KD
	(equivalent)	(equivalent)
UAE dirham	**(278,962)**	(412,912)
US dollar	**-**	76,345

The table below indicates the company's foreign currency exposure as at 31 December 2013, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the KD currency rate against the UAE Dirham and US Dollar with all other variables held constant, on the profit/(loss) for the year and equity (due to the fair value of currency sensitive monetary assets and liabilities).

		2013	2012
	Change in Currency rate	**Effect on profit for the year/equity**	Effect on loss for the year/equity
UAE Dirham	+5%	**(13,948)**	(20,646)
US Dollar	+5%	**-**	3,817

The decrease in currency rate will have the opposite effect on profit/(loss) for the year and equity.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The company's interest rate risk arises from term loans, notes payable, and bank overdrafts.

The company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the company calculates the impact on its statement of income and equity of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run for liabilities that represent the only interest-bearing positions.

The following table illustrates the sensitivity of the profit/(loss) for the year and equity to a reasonably possible change in interest rates of 100 basis points (2012: 100 basis points) per annum with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions

		2013	2012
	Change in interest rate	**Effect on profit for the year/equity**	Effect on loss for the year/equity
KD	**100 basis points**	**(19,725)**	(32,204)

The decrease in interest rates will have the opposite effect on profit/(loss)for the year and equity.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Price risk

Price risk arises from the changes in fair values of equity securities or commodities. The company is exposed to equity securities price risk because of financial assets available for sale held by the company. The company is not exposed to commodity price risk.

The company's investment in equity of an entity that is publicly traded is included in index of Kuwait Stock Exchange. The effect of equity price risk on profit/(loss) for the year of the company is not significant as it has no investments classified as financial assets at fair value through profit or loss, except for effect of impairment on value of financial assets (if any).

The effect on equity (as a result of a change in the fair value of quoted equity investments held as available for sale financial assets) at the yearend due to an assumed 5% change in market indices, with all other variables held constant, is as follows:

	Change in market rate	**2013 Effect on equity**	2012 Effect on equity
Kuwait stock exchange	**+5%**	**19,163**	18,638
Unquoted available for sale financial assets	**+5%**	**23,676**	20,676

The decrease in change in market rate will have the opposite effect on the equity.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from trade and other receivables and bank balances.

The company seeks to limit its credit risk with respect to receivables by setting credit limits for customers and monitoring outstanding receivables before standard payment and delivery terms and conditions are offered. Normal credit terms for customers are up to six months.

For banks and financial institutions, the company seeks to limit its credit risk with respect to bank balances by dealing with reputable banks which are independently rated.

Since there is no independent rating for customers, management of the company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date by class of assets is as follows:

	Carrying amount as at 31 December	
	2013	2012
Loans and receivables:		
Trade and other receivables	**4,266,277**	4,130,228
Bank balances (Note 11)	**236,644**	79,481
	4,502,921	4,209,709

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (continued)

(b) Credit risk *(continued)*

Concentration of credit risk
Concentrations arise when a number of counterparties is engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the company's performance to developments affecting a particular industry or geographical location. The company seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

The company's credit risk bearing assets can be analysed by the geographic region and the industry sector as follows:

	As at 31 December	
	2013	2012
Geographic region:		
Kuwait	**3,881,984**	3,864,880
Outside Kuwait	**620,937**	344,829
	4,502,921	4,209,709
Industry sector:		
Trading and individuals	**1,591,486**	1,480,670
Construction	**2,674,791**	2,649,558
Banks and other financial institutions	**236,644**	79,481
Total	**4,502,921**	4,209,709

Credit quality of financial instruments
It is not the practice of the company to obtain collateral over loans and receivables. Credit exposures classified as 'rated' quality are those where the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be low. These include facilities to corporate entities with financial condition, risk indicators and capacity to repay which are considered to be good. Credit exposures defined as "not rated" and classified under 'standard' quality comprise all other facilities whose payment performance is fully compliant with contractual conditions and which are not 'impaired'. The ultimate risk of possible financial loss on "not rated" or 'standard' quality is assessed to be higher than that for the exposures classified within the 'rated' quality range. Not rated assets are classified according to internal credit ratings of the counterparties. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The table below shows the credit risk exposure by credit quality of financial assets by class, grade and status.

	Neither past due nor impaired		
	Rated	Not rated	
	A+ to BBB+	Standard grade	Total
31 December 2013			
Loans and receivables:			
Trade and other receivables	-	2,141,466	2,141,466
Bank balances	236,644	-	236,644
Total	236,644	2,141,466	2,378,110

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

	Neither past due nor impaired		
	Rated	Not rated	
	A+ to BBB+	Standard grade	Total
31 December 2012			
Loans and receivables:			
Trade and other receivables	-	1,439,067	1,439,067
Bank balances	79,481	-	79,481
Total	79,481	1,439,067	1,518,548

Analysis by credit quality of financial assets is as follows:

	As at 31 December	
	2013	2012
Trade and other receivables		
Neither past due nor impaired:		
- Receivables from customers	**2,141,466**	1,439,067
Total neither past due nor impaired	**2,141,466**	1,439,067
Past due but not impaired		
- More than 181 to 365 days overdue	**18,880**	65,798
- More than 365 days overdue	**1,442,270**	1,156,436
Total past due but not impaired	**1,461,150**	1,222,234
Individually determined to be impaired:		
- More than 181 to 365 days overdue	**598,638**	397,270
- More than 365 days overdue	**1,632,183**	2,530,703
- Provision for impairment of trade and other receivables	**(1,451,432)**	(1,459,046)
Total individually determined to be impaired	**779,389**	1,468,927
Total trade and other receivables, net of impairment of trade receivables	**4,266,277**	4,130,228
Bank balances, neither past due nor impaired	**236,644**	79,481

(c) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting commitments associated with financial liabilities, arises because of the possibility (which may often be remote) that the company could be required to pay its liabilities earlier than expected.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The maturity profile is monitored by the company's management to ensure adequate liquidity is maintained. A summary table with maturity of financial liabilities is presented below. The amounts disclosed in the below tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months equal their carrying amounts in the statement of financial position as the impact of discounting is not significant.

At 31 December 2013	***Within 3 months***	***3 to 6 months***	***6 to 12 months***	***Over 12 months***	***Total***
Liabilities					
Term loans	150,000	150,000	300,000	992,228	1,592,228
Trade and other payables	759,730	699,364	481,702	-	1,940,796
Notes payable	223,000	200,000	-	-	423,000
Bank overdrafts	133,918	-	-	-	133,918
Total liabilities	**1,266,648**	**1,049,364**	**781,702**	**992,228**	**4,089,942**
Contingencies (note 23)	**70,000**	**-**	**-**	**10,000**	**80,000**

At 31 December 2012	*Within 3 months*	*3 to 6 months*	*6 to 12 months*	*Over 12 Months*	*Total*
Liabilities					
Term loans	150,000	150,000	300,000	1,611,480	2,211,480
Trade and other payables	640,560	857,800	667,754	-	2,166,114
Notes payable	300,000	663,000	-	-	963,000
Bank overdrafts	107,923	-	-	-	107,923
Total liabilities	1,198,483	1,670,800	967,754	1,611,480	5,448,517
Contingencies (note 23)	70,000	-	-	10,000	80,000

3.2 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends, increase capital or sell assets to reduce debt.

Consistent with others in the industry, the shareholders monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated by the company as term loans and notes payable less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

During the year, the company has complied with all externally imposed capital requirements.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (continued)

The gearing ratios at 31 December 2013 and 2012 were as follows:

	As at 31 December	
	2013	2012
Term loans	**1,549,500**	2,149,500
Notes payable	**423,000**	963,000
Less: cash and cash equivalents (note 11)	**(103,486)**	25,977
Net debt	**1,869,014**	3,138,477
Total equity	**9,387,213**	9,286,321
Total capital	**11,256,227**	12,424,798
Gearing ratio	**17%**	25%

3.3 Fair value estimate

(a) Assets carried at fair value

The table below analyses assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group’s assets that are measured at fair value at 31 December:

	Level 1	***Level 2***	***Total***
31 December 2013			
Investment properties (note 7)	**-**	**1,650,000**	**1,650,000**
Available for sale financial assets			
- Equity securities (note 8)	**833,250**	**-**	**833,250**
Total	**833,250**	**1,650,000**	**2,483,250**
31 December 2012			
Investment properties (note 7)	-	1,550,000	1,550,000
Available for sale financial assets			
- Equity securities (note 8)	372,750	-	372,750
Total	372,750	1,550,000	1,922,750

As at the reporting date, management believes that the carrying value of shares in unquoted securities amounting to KD 23,517 (2012: KD 413,517) approximate their fair value.

Investment properties are carried at fair value on a recurring basis. The fair value of investment properties were determined based on two independent valuators’ assessments as at 31 December 2013. The fair values are considered within level 2 category. Level 2 fair values of investment properties have been generally derived using the asset based approach and by reference to market evidence of transaction prices for similar assets.

The company does not have any financial liabilities that are measured at fair value.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimate (continued)

(a) Assets carried at fair value (continued)

Investment properties are carried at fair value on a recurring basis. The fair value of investment property with a carrying amount of KD 1,650,000 (2012: KD 1,550,000) at 31 December 2013 were determined based on two independent valuators' assessments as at 31 December 2013. The fair values are considered within level 2 category. Level 2 fair values of investment properties have been generally derived using the asset based approach and by reference to market evidence of transaction prices for similar assets.

(a) Financial instruments in level 1

The fair value of financial instruments such as available for sale financial assets carried at fair value on recurring basis traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the last bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity securities traded on the Kuwait Stock Exchange, these equity investments are classified as available for sale financial assets.

(b) Financial instruments in level 2

The fair value of financial instruments such as available for sale financial assets carried at fair value on recurring basis that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives and impairment of property and equipment
The company determines the estimated useful lives and residual values of property and equipment. Management reviews the residual value over their estimated useful lives which range from 5 to 10 years.

At the financial position date, the company's management assesses, whether there is any indication that property and equipment may be impaired. The recoverable amount of an asset is determined based on market value of such asset to its carrying value. At the reporting date, impairment of property and equipment amounted to KD 211,981 (2012: KD Nil) (note 5).

(b) Useful lives and impairment of intangible assets
The company determines the estimated useful lives and residual values of utilisation right. Management reviews the residual value over their estimated useful lives.

At the financial position date, the company's management assesses, whether there is any indication that utilisation right may be impaired. The recoverable amount of an asset is determined based market value of such asset to its carrying value.

During the year, no impairment of intangible assets was recorded (2012: nil) (note 6).

(c) Provision for obsolete and slow moving items
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence based on historical selling prices.

At the reporting date, gross inventories were KD 3,255,436 (2012: KD 3,686,059) and provision for obsolete and slow moving items were KD 40,476 (2012: KD 39,983) (note 9).

(d) Impairment of financial assets
The impairment charge reflects estimates of losses arising from the failure or inability of the parties concerned to make the required payments. The charge is based on the ageing of the party accounts, the customer's credit worthiness and the historic write-off experience.

At the reporting date, gross trade and other receivables were KD 5,717,709 (2012: KD 5,589,274) and the impairment of trade and other receivables was KD 1,451,432 (2012: KD 1,459,046) (note 10).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgments in applying the entity's accounting policies

(a) Classification of investments
Management decides on the acquisition of an investment whether to classify it as available for sale or financial assets at fair value through profit or loss. The company classifies investments as financial assets at fair value through profit or loss if the investment is classified as held for trading or upon initial recognition it is designated by the company at fair value through profit or loss. All other investments are classified as available for sale. The company has classified all its investments as available for sale.

(b) Impairment of available for sale financial assets
The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in statement of income is removed from the statement of equity and recognised in the statement of income. At the reporting date, the impairment losses amount to KD 81,483 for the available for sale financial assets (2012: KD 81,483) (note 8).

(c) *Valuation of investment properties*
For investment properties, fair value is determined by independent, registered, real estate assessors or by reference to recent transactions in similar properties.

5. PROPERTY AND EQUIPMENT

	Buildings	Machines and equipment	Furniture, fixtures and leasehold improvements	Motor vehicles	Total
At 1 January 2012					
Cost	713,303	4,199,384	346,248	2,975,481	8,234,416
Accumulated depreciation	(528,313)	(2,614,709)	(321,421)	(2,041,040)	(5,505,483)
Foreign currency exchange differences	4,268	(5,973)	357	(3,948)	(5,296)
Net book amount	**189,258**	**1,578,702**	**25,184**	**930,493**	**2,723,637**
Year ended 31 December 2012					
Opening net book amount	189,258	1,578,702	25,184	930,493	2,723,637
Additions	1,877	76,079	3,208	33,665	114,829
Disposals	-	(12,663)	-	(6,475)	(19,138)
Depreciation charge	(87,297)	(426,699)	(9,767)	(252,205)	(775,968)
Depreciation related to disposals	-	12,663	-	6,475	19,138
Foreign currency exchange differences	1,771	13,368	180	9,516	24,835
Closing net book amount	**105,609**	**1,241,450**	**18,805**	**721,469**	**2,087,333**
At 31 December 2012					
Cost	715,180	4,262,800	349,456	3,002,671	8,330,107
Accumulated depreciation	(615,610)	(3,028,746)	(331,188)	(2,286,772)	(6,262,313)
Foreign currency exchange differences	6,039	7,396	537	5,570	19,539
Net book amount	**105,609**	**1,241,450**	**18,805**	**721,469**	**2,087,333**

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5. PROPERTY AND EQUIPMENT (Continued)

	Buildings	Machines and equipment	Furniture, Fixtures and leasehold improvements	Motor vehicles	Total
Year ended 31 December 2013					
Opening net book amount	105,609	1,241,450	18,805	721,469	2,087,333
Additions	5,231	44,125	14,084	81,166	144,606
Disposals	-	(297,850)	-	(4,800)	(302,650)
Depreciation charge	(61,605)	(425,245)	(8,200)	(240,624)	(735,674)
Depreciation related to disposals	-	211,276	-	4,800	216,076
Impairment loss	-	(211,981)	-	-	(211,981)
Foreign currency exchange differences	1,429	2,015	819	1,682	5,945
Closing net book amount	**50,664**	**563,790**	**25,508**	**563,693**	**1,203,655**
At 31 December 2013					
Cost	720,411	3,797,094	363,540	3,079,037	7,960,082
Accumulated depreciation	(677,215)	(3,242,715)	(339,388)	(2,522,596)	(6,781,914)
Foreign currency exchange differences	7,468	9,411	1,356	7,252	25,487
Net book amount	**50,664**	**563,790**	**25,508**	**563,693**	**1,203,655**

For the year ended 31 December 2013, depreciation expense amounting to KD 521,697 was charged to cost of sales (2012: KD 540,758).

The carrying values of machines and equipment have been written down during the year on account of impairment in value. This impairment represents the difference between the assets carrying values and their fair values as determined by independent accredited valuers as at 31 December 2013.

6 INTANGIBLE ASSETS

These represent rights obtained by the company from the Government of Fujaira to utilise lands in Fujaira.

	KD
Cost	
At 1 January 2012	3,925,028
Foreign currency exchange differences	157,508
As at 31 December 2012	**4,082,536**
Foreign currency exchange differences	2,610
As at 31 December 2013	**4,085,146**
Accumulated amortisation	
At 1 January 2012	**(1,644,277)**
Amortisation charge for the year	(186,489)
As at 31 December 2012	**(1,830,766)**
Amortisation charge for the year	(188,755)
As at 31 December 2013	**(2,019,521)**
Net book value	
Cost	4,082,536
Accumulated amortisation	(1,830,766)
As at 31 December 2012	**2,251,770**
Cost	4,085,146
Accumulated amortisation	(2,019,521)
As at 31 December 2013	**2,065,625**

7 INVESTMENT PROPERTIES

Investment properties represent a land and a building rented to a third party. Subsequent to year end, the company incorporated a new subsidiary, Al Salbookh Al Oula for General Trading W.L.L., for which these properties were sold to for a total consideration of KD 1,650,000.

The movement of investment properties during the year is as follows:

	Year ended 31 December	
	2013	2012
At 1 January	**1,550,000**	1,290,000
Unrealised gain on valuation of investment properties	**100,000**	260,000
At 31 December	**1,650,000**	1,550,000

Investment properties are pledged against term loans, notes payable and bank overdrafts. The sale agreement, subsequent to year end, concludes that these properties will remain to be pledged to the local bank.

For investment properties, fair value is based on the lowest of valuations determined by two independent, registered, real estate assessors or by reference to subsequent or recent transactions in similar properties.

8 AVAILABLE FOR SALE FINANCIAL ASSETS

	As at 31 December	
Available for sale financial assets include the followings:	**2013**	2012
Quoted equity security	**383,250**	372,750
Unquoted equity securities	**473,517**	413,517
	856,767	786,267

Subsequent to year end, unquoted available for sale financial assets with a cost of KD 390,000 were sold to an unrelated party for a total consideration of KD 450,000. The sale price has been considered as the fair value of these unquoted available for sale financial assets as at 31 December 2013 and accordingly, a change in fair value of KD 60,000 has been recorded in the statement of other comprehensive income.

As at the reporting date, management believes that the carrying value of the remaining shares in unquoted equity securities approximate their fair value.

At the reporting date, available for sale financial assets amounting to KD 383,250 (2012: KD 372,750) are pledged against term loans, notes payable and bank overdrafts.

As at the reporting date, impairment losses of KD 81,483 (2012: KD 81,483) relate to unquoted equity securities.

Movement in available for sale financial assets is as follows:

	Year ended 31 December	
	2013	2012
Balance at the beginning of the year	**786,267**	909,750
Change in fair value of financial assets	**70,500**	(123,483)
	856,767	786,267

9 INVENTORIES

	As at 31 December	
	2013	2012
Finished goods	**2,643,954**	2,973,526
Work in progress	**96,050**	95,987
Spare parts	**515,432**	513,091
Goods in transit	**-**	103,455
	3,255,436	3,686,059
Less: provision for obsolete and slow moving items	**(40,476)**	(39,983)
	3,214,960	3,646,076

The movement of the provision for obsolete and slow moving items is as follows:

	Year ended 31 December	
	2013	2012
At 1 January	**39,983**	40,539
Add: Foreign currency translation adjustments	**493**	(556)
At 31 December	**40,476**	39,983

10 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2013	2012
Trade receivables	**5,489,376**	5,439,197
Other receivables	**216,146**	134,667
Less: provision for impairment of trade and other receivables	**(1,451,432)**	(1,459,046)
	4,254,090	4,114,818
Advances and prepayments	**84,033**	243,538
Staff receivables	**12,187**	15,410
Total	**4,350,310**	4,373,766

As at the reporting date, the carrying value of trade and other receivables approximate their fair value and is categorised under level 2 of the valuation hierarchy.

The carrying amounts of the company's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2013	2012
Kuwait Dinars	**3,750,303**	3,974,632
UAE Dirham	**600,007**	399,134
	4,350,310	4,373,766

The movement of provision for impairment of trade and other receivables is as follows:

	Year ended 31 December	
	2013	2012
At 1 January	**1,459,046**	1,137,327
Add: impairment of trade and other receivables	**-**	362,370
Write off during the year	**-**	(20,159)
Impairment of trade and other receivables no longer required	**-**	(30,478)
Foreign currency translation adjustments	**(7,614)**	9,986
Total	**1,451,432**	1,459,046

Included in the above trade receivables is an amount of KD 1,050,700 representing amounts due from three customers which are subject to legal cases. On 21 March 2013, the judgment of the court of first instance for one of the three cases for an amount of KD 352,830 was in favor of the company. However, the defendant filed an appeal on 26 March 2014. As for the remaining two customers, no verdicts have been reached to date as the related litigations are still in progress. As per the company's legal counsel, it is highly probable that the outcome of the above three cases is expected to be in the favor of the company. Accordingly, no impairment has been taken by the management against those receivables.

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows include the following statement of financial position amounts:

	As at 31 December	
	2013	2012
Bank balances	**236,644**	79,481
Cash on hand	**760**	2,465
Bank balances and cash	**237,404**	81,946
Less: bank overdrafts	**(133,918)**	(107,923)
Cash and cash equivalents	**103,486**	(25,977)

11 CASH AND CASH EQUIVALENTS (Continued)

As at the reporting date, the carrying value of cash and cash equivalents approximate their fair value.

Bank overdrafts represent facilities obtained from a local bank and carry an interest rate of 2.5% (2012: 2.5%) per annum over the Central Bank of Kuwait discount rate. Bank overdrafts are secured against the company's investment properties and certain available for sale financial assets.

12 SHARE CAPITAL

On 28 June 2012, the Extraordinary General Assembly of the company's shareholders approved the reduction in share capital from KD 20,475,000 to KD 10,494,204; the reduction of share premium from KD 8,766,375 to KD 1,165,213 and the reduction of statutory and voluntary reserves from KD 1,495,897 and KD 758,661 respectively to KD Nil in order to offset accumulated losses amounting to KD 19,836,516 as at 31 December 2011. The offset and the reduction of the capital were noted in the Commercial Register on 11 July 2012.

As a result, the share capital of the company as of 31 December 2013 amounts to KD 10,494,204 distributed to 104,942,040 authorised and issued shares of 100 fils each (2012: 104,942,040 authorised and issued shares of 100 fils each), out of which 5,494,204 paid in cash and 5,000,000 as in kind.

13 TREASURY SHARES

	As at 31 December	
	2013	2012
Cost	**1,165,213**	1,165,213
Number of shares	**3,444,482**	3,444,482
% to the share capital	**3.3%**	3.3%
Market value	**365,115**	261,781s

In prior year, the shareholders of the company have approved capital reduction through offsetting accumulated losses outstanding as of 31 December 2011 (note 12). As a result, the number of treasury shares has been reduced to reflect the share capital decrease. No sale or purchase of treasury shares has taken place during the year.

14 RESERVES

a) Statutory reserve

As required by the Kuwait Companies Law no. 25 of 2012, as amended and the company's articles of association, 10% of the profit for the year before KFAS, Zakat, NLST and directors' remuneration is to be transferred to statutory reserve. The company may resolve to discontinue such annual transfers when the reserve exceeds 50% of paid up share capital.

Only that part of the reserve in excess of 50% of paid up share capital is freely distributable. Distribution of the balance of the reserve is limited to the amount required to enable the payment of a distributions of 5% of paid up share capital to be made in years when accumulated profits are not sufficient for the payment of a distributions of that amount. During the current year, no transfer was made to the statutory reserve since the Group has accumulated losses (2012: KD Nil).

14 RESERVES (Continued)

b) Voluntary reserve

According to provisions of the company's articles of association, a percentage of the profit is to be transferred to the voluntary reserve based on the suggestion of the directors. This transfer may be discontinued according to the shareholders' decision. There are no restrictions on the distribution of this reserve. No transfer to voluntary reserve was made for the year ended 31 December 2013 (2012: KD nil).

15 EMPLOYEES' END OF SERVICE BENEFITS

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

	Year ended 31 December	
	2013	2012
Provision as at 1 January	**104,300**	90,890
Provided during the year	**47,445**	29,073
End of service benefits paid	**(7,268)**	(16,361)
Foreign currency translation adjustments	**(183)**	698
Provision as at 31 December	**144,294**	104,300

16 TERM LOANS

Term loans represent amounts obtained from a local bank to finance the company's normal activities. The term loans bear an interest rate of 2.5% (2012: 2.5%) per annum over the Central Bank of Kuwait discount rate and are secured against the company's investment properties and certain available for sale financial assets. In addition, the company has signed a promissory note amounting to KD 2,950,000 against obtaining the facility from the bank.

Current portion of term loans amounted to KD 600,000 as at 31 December 2013 (2012: KD 600,000) which will be settled with one year from the financial position date.

As at the reporting date, the carrying value of term loans approximates their fair value and is categorised under level 2 of the valuation hierarchy.

17 TRADE AND OTHER PAYABLES

	As at 31 December	
	2013	2012
Trade payables	**1,836,292**	2,086,457
Accrued expenses	**104,504**	79,657
Total	**1,940,796**	2,166,114

As at the reporting date, the carrying value of trade and other payables approximate their fair value.

18 NOTES PAYABLE

Notes payable relate represent amounts obtained from a local bank to finance the company's normal activities. These notes payable carry an average interest rate of 5% per annum (2012: 5% per annum) and are secured against the company's investment properties and certain available for sale financial assets.

As at the reporting period, management believes that the carrying value of notes payable approximate their fair value and is categorised under level 2 of the valuation hierarchy.

19 PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year is stated after deducting the following:

	Year ended 31 December	
	2013	2012
Staff costs	**OS**	307,396
Rental expenses	**OS**	49,468
Cost of inventories	**OS**	7,481,084

20 BASIC AND DILUTED EARNINGS/(LOSSES) PER SHARE

Basic earning/losses per share is calculated by dividing the profit/(loss) for the year by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares.

Diluted earnings/losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As the reporting date, the company had no dilutive shares (2012: nil).

	Year ended 31 December	
	2013	2012
Profit/(loss) for the period	**24,370**	(1,118,511)
Number of shares outstanding		
Weighted average number of paid up shares	**104,942,040**	104,942,040
Weighted average number of treasury shares	**(3,444,482)**	(3,444,482)
Weighted average number of outstanding shares	**101,497,558**	101,497,558
Basic and diluted earnings/(losses) per share	**0.24 fils**	(11.02) fils

21 RELATED PARTY TRANSACTIONS

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

	Year ended 31 December	
Statement of income	**2013**	2012
Key management compensation:		
Short term benefits	**OS**	17,440
Termination benefits	**OS**	1,525
	OS	18,965

22 SEGMENTAL INFORMATION

The board of directors represents the company's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the chief operating decision-maker for the purposes of allocating resources and assessing performance. The chief operating decision-maker organises the entity based on different geographical areas, inside and outside Kuwait. Sales between segments are carried out at arm's length. The revenue from external parties reported to the Board of directors is measured in a manner similar to transaction with third parties. The geographical analysis based on location of revenue, loss for the year and total assets is as follows:

	Year ended 31 December 2013		
	Kuwait	**UAE**	**Total**
Segment revenue	**5,839,877**	**1,816,396**	**7,656,273**
Profit/(loss) for the year	**501,360**	**(476,990)**	**24,370**
Total assets	**7,347,859**	**6,005,340**	**13,353,199**
Unrealised gain on revaluation of investment properties	**100,000**	**-**	**100,000**
Impairment of property and equipment	**-**	**(211,981)**	**(211,981)**
Depreciation and amortisation	**(89,055)**	**(835,374)**	**(924,429)**
Finance costs	**(104,459)**	**-**	**(104,459)**

	Year ended 31 December 2012		
	Kuwait	UAE	Total
Segment revenue	6,868,314	1,951,280	8,819,594
Loss for the year	(184,333)	(934,178)	(1,118,511)
Total assets	9,037,519	5,739,639	14,777,158
Unrealised gain on revaluation of investment properties	260,000	-	260,000
Impairment of available for sale financial assets	(81,483)	-	(81,483)
Impairment of trade and other receivables	(119,250)	(243,120)	(362,370)
Depreciation and amortisation	(275,389)	(687,068)	(962,457)
Finance costs	(154,023)	-	(154,023)

23 CONTINGENCIES

The company had letters of guarantee toward foreign purchases amounted to KD 80,000 (2012: KD 80,000)