

**Aktor Kuwait for General Contracting & Roads Company W.L.L.
Kuwait**

**Financial statements and independent auditor's report
For the year ended 31 December 2013**

**Aktor Kuwait for General Contracting & Roads Company W.L.L.
Kuwait**

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INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS' OF AKTOR KUWAIT FOR GENERAL CONTRACTING AND ROADS COMPANY W.L.L

Report on the Financial Statements

We have audited the accompanying financial statements of Aktor Kuwait for General Contracting and Roads Company W.L.L. ("the company") which comprise the statement of financial position as at 31 December 2013, and the 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.

Management's Responsibility for the Financial Statements

The company's 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.

Auditor's 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 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 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 respects, 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.



Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the company and the financial statements are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, and by the Company's Memorandum of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, nor of the Company's Memorandum of Association, as amended, have occurred during the year ended 31 December 2013 that might have had a material effect on the business or the financial position of the Company



Qais M. Al-Nisf
License No. 38 "A"
BDO Al Nisf & Partners

Kuwait: 2 April 2014

Aktor Kuwait for General Contracting & Roads Company W.L.L.
Kuwait

Statement of financial position
As at 31 December 2013

	Notes	<u>2013</u> KD	<u>2012</u> KD
Assets			
Non-current assets			
Plant and equipment	4	22,133	278,334
Current assets			
Trade and other receivables	5	143,599	176,143
Due from related party	6	4,389,900	3,475,594
Cash and bank balances	7	16,542	6,817
Total current assets		<u>4,550,041</u>	<u>3,658,554</u>
Total assets		<u>4,572,174</u>	<u>3,936,888</u>
Equity and liabilities			
Equity			
Share capital	8	100,000	100,000
Statutory reserve	9	3,028	3,028
Voluntary reserve	10	3,028	3,028
Accumulated losses		(57,941)	(44)
Total equity		<u>48,115</u>	<u>106,012</u>
Non-current liabilities			
Provision for staff indemnity		34,517	28,175
Current liabilities			
Trade and other payables	11	167,026	139,467
Due to related parties	6	4,322,516	3,663,234
Total current liabilities		<u>4,489,542</u>	<u>3,802,701</u>
Total liabilities		<u>4,524,059</u>	<u>3,830,876</u>
Total equity and liabilities		<u>4,572,174</u>	<u>3,936,888</u>

The notes on pages 7 to 16 form an integral part of these financial statements.

Partner

Partner

Aktor Kuwait for General Contracting & Roads Company W.L.L.
Kuwait

Statement of comprehensive income
For the year ended 31 December 2013

	Notes	<u>2013</u> KD	<u>2012</u> KD
Contract revenue		-	189,662
Contract operating costs		-	(105,653)
Gross profit		-	84,009
General and administrative expenses	12	(170,436)	(467,809)
Foreign exchange loss		(7,695)	(14,121)
Finance cost		(270)	(1,706)
Reimbursement of expenses	13	120,504	375,355
Loss for the year		<u>(57,897)</u>	<u>(24,272)</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(57,897)</u>	<u>(24,272)</u>

The notes on pages 7 to 16 form an integral part of these financial statements.

**Aktor Kuwait for General Contracting & Roads Company W.L.L.
Kuwait**

Statement of changes in equity
For the year ended 31 December 2013

	<u>Share capital</u> KD	<u>Statutory reserve</u> KD	<u>Voluntary reserve</u> KD	<u>Retained earnings</u> KD	<u>Total equity</u> KD
Balance at 1 January 2012	100,000	3,028	3,028	24,228	130,284
Total comprehensive income for the year	-	-	-	(24,272)	(24,272)
Balance at 31 December 2012	100,000	3,028	3,028	(44)	106,012
Total comprehensive income for the year	-	-	-	(57,897)	(57,897)
Balance at 31 December 2013	100,000	3,028	3,028	(57,941)	48,115

The notes on pages 7 to 16 form an integral part of these financial statements.

Aktor Kuwait for General Contracting & Roads Company W.L.L.
Kuwait

Statement of cash flows

For the year ended 31 December 2013

	Note	<u>2013</u>	<u>2012</u>
		KD	KD
OPERATING ACTIVITIES			
Loss for the year		(57,897)	(24,272)
Adjustment for:			
Depreciation		27,063	225,389
Gain from disposals of plant and equipment		19,367	(21,957)
Provision for staff indemnity		6,342	10,789
		<u>(5,125)</u>	<u>189,949</u>
Movements in working capital			
Trade and other receivables		32,544	65,050
Inventories		-	15,988
Due from / to related parties (net)		(210,549)	(244,054)
Trade and other payables		27,559	(29,957)
Net cash used in operations		<u>(155,570)</u>	<u>(3,024)</u>
Payment of indemnity		-	(36,913)
Net cash used in operating activities		<u>(155,570)</u>	<u>(39,937)</u>
INVESTING ACTIVITIES			
Purchase of plant and equipment		-	(1,640)
Proceeds from sale of plant and equipment		165,295	40,355
Net cash from investing activities		<u>165,295</u>	<u>38,715</u>
Net increase / (decrease in) cash and bank balances		9,725	(1,222)
Cash and bank balances at the beginning of the year		6,817	8,039
Cash and bank balance at end of the year	7	<u>16,542</u>	<u>6,817</u>
Non cash transactions:			
Transfers in plant and equipment		2,684	10,746
Sale of plant and equipment		(47,160)	(74,218)
Transfers in staff Indemnity		-	(32,480)

The notes on pages 7 to 16 form an integral part of these financial statements.

**Aktor Kuwait for General Contracting & Roads Company W.L.L.
Kuwait**

Notes to the financial statements
For the year ended 31 December 2013

1. GENERAL INFORMATION

Aktor Kuwait for General Contracting & Roads Company W.L.L. ("the company") is a limited liability Company registered in the State of Kuwait on 5 December 2009, and the commercial registration number is M/2598/2009. The company is engaged in general construction and providing contracting services on Drainage, electricity fixtures, air conditioning, painting and carpentry works, roads, drainage and bridges, water networks and management of above activities in Kuwait.

The company is domiciled in Kuwait and its registered office is at office No 4 Basement, White house (Ali Bahman Mohammed.), Hamad Mubarak Street, Salmiya, State of Kuwait.

The financial statements of the company for the year ended 31 December 2013 were authorised for issue by the Partners' on 2 April 2014.

The Kuwait Companies Law issued on 26 November 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No. 15 of 1960, as amended. The Companies Law was subsequently amended on 27 March 2013 by Decree Law No. 97 of 2013 (the Decree).

Articles 2 and 3 of the Decree, Executive Regulations, which were issued by the Ministry of Commerce and Industry on 26 September 2013, determine the basis and rules which the Parent Company shall adopt to regularise its affairs with the Companies Law as amended.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

New standards, interpretations and amendments effective from 1 January 2013

The following new and revised IFRSs have been adopted in these financial statements.

Amendments to IAS 1 Presentation of items of other comprehensive income (Effective for annual periods beginning on or after 1 July 2012)

The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendment has not impacted the Company's financial position or performance. The presentation of items of other comprehensive income will be modified accordingly as and when they are applicable in the future accounting periods.

IFRS 13 'Fair Value Measurement' (Effective for annual periods beginning on or after 1 January 2013)

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements.

IFRS 13 did not materially affect any fair value measurements of the Company's assets or liabilities, with changes being limited to presentation and disclosures, and therefore has no effect on the Company's financial position or performance.

Notes to the financial statements

For the year ended 31 December 2013

2. ADOPTION OF NEW / REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (continued)

Amendments to IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities (Effective for annual periods beginning on or after 1 January 2013)

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 did not impact the Company's financial position or performance.

The other amendments to IFRS which are effective for annual account period starting from 1 January 2013 didn't have any material impact on the accounting policies, financial position or performance of the Company.

New / revised IFRSs in issue but not yet effective and not early adopted by the Company

- *IAS 32 "Financial Instruments – Presentation"* (effective for annual periods beginning on or after 1 January 2014, with retrospective application required).
- *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)* (effective for annual periods beginning on or after 1 January 2014).
- *Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures'* (effective for annual periods starting on or after 1 January 2014, early adoption is permitted).
- *IFRS 9 'Financial instruments' Revised* (effective date open until all other outstanding phases of IFRS 9 have been finalised).
- *IFRIC 21 Levies* (effective for annual periods beginning on or after 1 January 2014).
- *Annual Improvements to IFRSs 2010–2012 Cycle and to IFRSs 2011–2013 Cycle* (Effective date 1 July 2014, with earlier application permitted).

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3.2 Basis of preparation

These financial statements have been prepared under the historical cost convention. The principal accounting policies are set out below.

These financial statements are presented in Kuwaiti Dinars ("KD"), which is the company's functional and presentation currency.

Notes to the financial statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalized. The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss in the period in which they occur.

3.4 Impairment of tangible assets

At each financial position date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.5 Inventories

Materials are stated at the lower of weighted average cost and net realisable value after making provision for any slow moving and obsolete stocks.

Notes to the financial statements
For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial assets

The company classifies all its financial assets as loans and receivables.

Loans and receivables

These are non- derivative financial assets with fixed or determinable payments that are not quoted in an active market . These are subsequently remeasured at amortised cost, less any provision for impairment. Loans and receivables include cash and bank balances, trade and other receivables and due from related parties.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Derecognition of financial assets

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

- The rights to receive cash flows from the asset have expired; or
- The company has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Financial assets such as trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of trade receivables is reduced through the use of an allowance account for impairment. When a receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Notes to the financial statements
For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial liabilities

Financial liabilities are classified as "other than at fair value through statement of income". These are subsequently remeasured at amortised cost using the effective profit rate method. Financial liabilities include Trade and other payables and Due to related parties.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

3.8 Cash and bank balances

Cash and bank balance includes cash in hand and bank demand accounts.

3.9 Provisions

A provision is recognized in the statement of financial position when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.10 Provision for staff indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employment contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the statement of financial position date, and approximates the present value of the final obligation.

3.11 Revenue recognition on construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the statement of financial position date, measured as the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Aktor Kuwait for General Contracting & Roads Company W.L.L.
Kuwait

Notes to the financial statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Foreign currency translation

Foreign currency transactions are recorded in KD at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into KD at the rate of exchange prevailing on the statement of financial position date. Resulting gains or losses on exchange are recorded as part of the results for the year.

3.13 Borrowing costs

All borrowing costs are recognised in the profit or loss in the period in which they are incurred.

4. PLANT AND EQUIPMENT

	Machinery and tools	Furniture and equipments	Motor vehicles	Total
	KD	KD	KD	KD
Cost				
At 1 January 2011	1,151,708	102,514	73,877	1,328,099
Additions	1,640	-	-	1,640
Transfers in	15,753	-	-	15,753
Disposals / transfers	(148,842)	(27,182)	(26,319)	(202,343)
At 31 December 2012	1,020,259	75,332	47,558	1,143,149
Transfers in	8,000	-	-	8,000
Disposals / transfers	(1,001,480)	-	(3,007)	(1,004,487)
At 31 December 2013	26,779	75,332	44,551	146,662
Accumulated depreciation				
At 1 January 2011	656,426	41,072	46,648	744,146
Charge for the year	186,670	17,848	20,871	225,389
Related to transfers in	5,007	-	-	5,007
Related to disposals / transfers	(73,718)	(13,659)	(22,350)	(109,727)
At 31 December 2012	774,385	45,261	45,169	864,815
Charge for the year	10,706	15,055	1,302	27,063
Related to transfers in	5,316	-	-	5,316
Related to disposals / transfers	(769,659)	-	(3,006)	(772,665)
At 31 December 2013	20,748	60,316	43,465	124,529
Carrying amount				
At 31 December 2013	6,031	15,016	1,086	22,133
At 31 December 2012	245,874	30,071	2,389	278,334
Annual depreciation rates	12-33.33%	25-33.33%	20%	

**Aktor Kuwait for General Contracting & Roads Company W.L.L.
Kuwait**

Notes to the financial statements
For the year ended 31 December 2013

5. TRADE AND OTHER RECEIVABLES

	<u>2013</u>	<u>2012</u>
	KD	KD
Contract receivables	120,523	145,663
Prepayments	23,076	30,480
	<u>143,599</u>	<u>176,143</u>

6. RELATED PARTY TRANSACTIONS

Related parties primarily comprise of partners, key management personnel, and companies of which they are the principle owners or over which they are able to exercise significant influence. The transactions with related parties are approved by the company's management.

The following is a summary of significant related party balances and transactions:

	<u>2013</u>	<u>2012</u>
	KD	KD
Statement of financial position		
Due from related party		
▪ Aktor SA – Greece	99,686	80,377
▪ Aktor copri JV	4,290,214	3,395,217
	<u>4,389,900</u>	<u>3,475,594</u>
Due to related parties:		
▪ Aktor SA – Greece (Kuwait Operations)	1,271,189	923,956
▪ Aktor SA – Greece (Qatar Operations)	3,051,327	2,739,278
	<u>4,322,516</u>	<u>3,663,234</u>
	<u>2013</u>	<u>2012</u>
	KD	KD
Statement of comprehensive income		
▪ Transfers in plant and equipment	2,684	10,746
▪ Sale of plant and equipment	47,160	74,218
▪ Expenses reimbursed by Aktor S.A. and Copri Construction Enterprises W.L.L. – Joint-Venture and Aktor S.A. –Greece (Kuwait operations) (note 13)	105,569	352,156

7. CASH AND BANK BALANCES

	<u>2013</u>	<u>2012</u>
	KD	KD
Cash at banks	<u>16,542</u>	<u>6,817</u>

Aktor Kuwait for General Contracting & Roads Company W.L.L.
Kuwait

Notes to the financial statements
For the year ended 31 December 2013

8. SHARE CAPITAL

The company's share capital comprises 100 shares of KD 1,000 each and is held as follows:

	2013		2012	
	Number of shares	Amount KD	Number of shares	Amount KD
Nawal Al-Mijibil General Trading & Contracting Company W.L.L	51	51,000	51	51,000
Aktor Technical Anonym Company (Greek Company)	49	49,000	49	49,000
	<u>100</u>	<u>100,000</u>	<u>100</u>	<u>100,000</u>

9. STATUTORY RESERVE

In accordance with the Companies Law, and Company's Memorandum of Association 10% of the profit for the year is required to be transferred to the statutory reserve until the reserve totals 50% of the paid up share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of the share capital in years when retained earnings are not sufficient for the payment of such dividend.

10. VOLUNTARY RESERVE

As required by the Company's Memorandum of association, 10% of the profit for the year is required to be transferred to the voluntary reserve. Such annual transfers can be discontinued by a resolution of the partners' in the annual general assembly meeting. There are no restrictions on the distribution of this reserve.

11. TRADE AND OTHER PAYABLES

	2013 KD	2012 KD
Trade payables	135,325	99,829
Accrued expenses	15,111	14,479
Provision for staff leave salary	16,590	25,159
	<u>167,026</u>	<u>139,467</u>

Aktor Kuwait for General Contracting & Roads Company W.L.L.
Kuwait

Notes to the financial statements
For the year ended 31 December 2013

12. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2013</u>	<u>2012</u>
	KD	KD
Depreciation	27,064	225,389
Staff cost	81,573	194,619
Professional and legal fees	34,547	21,080
Loss on disposal of plant and equipment	19,367	-
Others	7,885	26,721
	<u>170,436</u>	<u>467,809</u>

13. REIMBURSEMENT OF EXPENSES

	<u>2013</u>	<u>2012</u>
	KD	KD
Equipment rental income	105,569	222,442
Labor camp rent	-	139,047
Other service income	14,935	13,866
	<u>120,504</u>	<u>375,355</u>

14. FINANCIAL RISK MANAGEMENT

(a) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to the partners through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2012. The capital structure of the Company consists of equity, comprising share capital and reserves as disclosed in notes 8, 9, and 10 respectively and retained earnings.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3 to the financial statements.

(c) 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's credit policy and exposure to credit risk are monitored on an ongoing basis. The maximum credit risk exposure is not materially different from the carrying values in the financial statements.

Notes to the financial statements

For the year ended 31 December 2013

14. FINANCIAL RISK MANAGEMENT (Continued)

(d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the company does not hedge foreign currency exposure.

(e) Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

(f) Fair value of financial instruments

In the opinion of management the carrying values of all financial instruments are not significantly different from fair values.