شركة الساحل للتنمية والاستثمار ش.م.ك.ع

COAST INVESTMENT & DEVELOPMENT CO. K.S.C.P

ANNUAL REPORT
2 0 1 3

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شركة الساحل للتنمية والاستثمار ش.م.ك.ع

COAST INVESTMENT & DEVELOPMENT CO. K.S.C.P

His Highness Sheikh
Sabah Al-Ahmad Al-Jaber Al-Sabah
The Amir Of The State Of Kuwait

His Highness Sheikh
Jaber Mubarak Al-Hamad Al-Sabah
The Prime Minister

His Highness Sheikh
Nawaf Al-Ahmad Al-Jaber Al-Sabah
The Crown Prince

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COAST INVESTMENT & DEVELOPMENT CO. K.S.C.P

Board of Directors

Sulaiman Khaled Al-Sahli
Chairman

Khaled Abdulaziz Al-Usaimi
Vice Chairman & CEO

Hamad Ahmad Al-Amiri
Board Member

Anwar Jassim Al-Kharafi
Board Member

Abdulhadi Ahmad Al-Dousari
Board Member

Bader Yousef Al-Ghanim
Board Member

Bader Mohammad Al-Qattan
Board Member

General Management

Khaled Abdulaziz Al-Usaimi
Chief Executive officer

Mohammad Rashed Al-Qaoud
Senior Vice President- Support group

Muneer Abdulmuhsen Al-Sharhan
Senior Vice President- Investment group

Message From The Chairman

Dear Shareholders of Coast Investment & Development Company, K.S.C.P .

May peace and blessings of Allah be upon you.

On behalf of Board of Directors, I am pleased to welcome you to the Company's Annual General Meeting and review with you the annual report of Coast Investment & Development Company K.S.C.P for the year ending 31st of December 2013.

Despite weak economies of European countries and continuous events and troubles in the Middle East region, the global economy managed to resume growth in 2013. Global Gross Domestic Product (GDP) increased by 2.8% as compared to 2012. U.S. economy continued to outperform economies of Euro zone as GDP grew at 1.6% for 2013 as compared to the downturn in the Euro zone economies, which its GDP has declined by (0.4%) for the same year. Furthermore, the unemployment rate in the United States dropped from 8% in 2012 to 6.9% in 2013, while this rate continued to increase in the Euro zone countries reaching 12.1% in 2013 as compared to 11% in 2012.

These results point out faltering efforts by Euro zone countries in their attempt to overcome the impact of the global financial crisis on the contrary to the progress made by the United States of America, which, through economy incentive programs, could have achieved good results over the past two years.

At GCC level, given dependency of the economies of these countries on oil revenues with oil prices maintaining high levels during 2013, majority of these countries have achieved high surpluses in their budgets. The real economic effect of such surpluses lies in extent of willingness and ability of GCC governments to proceed with implementing their respective development programs.

Locally, the stability of oil prices at high levels, as mentioned earlier, enabled the State to achieve a surplus for the financial year 2012 - 2013 amounting to KD 12.7 billion with Kuwaiti crude oil average selling price ranging around US$ 106 per barrel during the period. If oil prices continue to be above US$ 100 per barrel, it is anticipated that the State budget for the financial year 2013 - 2014 would achieve surplus of about KD 12 billion.

In spite of continuing accumulation of financial surpluses, percentage of investment expenditure remained low as many vital projects disrupted and recession that prevailed over the past years continued to exist. This resulted in hindering many economic activities in addition to negative repercussions produced by the global financial crisis.

Kuwait Stock Exchange performance was modest in 2013 given effects of local and regional political events and other factors, importantly weak capital spending, lack of confidence and investors' reluctance.

The value and volume of shares traded in 2013 increased by more than 50% as compared to 2012. However, KSE capitalization increased by 7.6% only for the same period due to the nature of speculative activity that predominated the market over such period. Further, the capitalization reached about KD 30.7 billion and the KSE weighted index closed the year 2013 at an increase of 8.43% and the price index at an increase of 27.22%.

Dear shareholders,

Although there has been relative improvement in the U.S. economy in 2013, poor performance continued in economies of European countries, where majority of the company's overseas investments exist. Besides , modest performance of Kuwait Stock Exchange led to continued decline in the Company's revenues. In view of these difficult circumstances, the Board of Directors will inevitably continue to follow a conservative strict policy and exert more efforts to preserve the Company's assets and shareholders' equity in one hand and meet Company's obligations and debts in the other hand.

Thanks to Allah Almighty, the Company has managed during the year to settle a debt to a creditor bank, reducing the Company's debt by 11% and reflected positively on the Company's balance sheet.

Furthermore, the Company continues negotiations with all other creditor banks to reach to solutions for settlement of outstanding debts with view to attaining stability and growth of the Company and enabling it to continue with the execution of its investment plans.

Continuation of the global or local difficult conditions greatly exhausted many national companies and institutions. This requires redoubling efforts and collaboration by all stakeholders and relevant parties to get out of this crisis.

Therefore, by looking at the financial statements, the Company realized losses amounting to KD 875,667 as compared to losses amounting to KD 6.75 million in 2012. Furthermore , the total assets were KD 276.615 million increasing by 3% and equity was KD 54.416 million increasing by 8% as compared to the previous year.

Finally, we would like to extend our grateful thanks to the Company's shareholders for their continued trust and support, and to the Board of Directors and all employees, hopefully that Allah may guide us to the best interests for all.

Sulaiman Khalid Al-Sahli
Chairman

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COAST INVESTMENT & DEVELOPMENT CO. K.S.C.P

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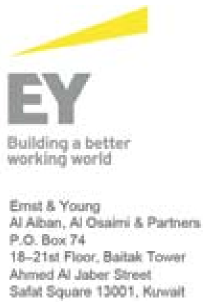
COAST INVESTMENT & DEVELOPMENT CO. K.S.C.P

COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2013



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS of COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Coast Investment & Development Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management of the Parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Parent Company's management, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS of COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)

Report on the Consolidated Financial Statements (continued)

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait.

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, as amended and by the Parent Company's Memorandum of Incorporation and Articles of Association, 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, as amended nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2013 that might have had a material effect on the business of the Parent Company or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations and Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2013 that might have had a material effect on the business of the Parent Company or on its consolidated financial position.

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

Dr. Saud HAMAD Al-humaidi
License No. 51 A
Dr. Saud Hamad Al-Humaidi & Partners
Member of Baker Tilly International

5 March 2014
Kuwait

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2013

	Notes	**2013 KD' 000**	2012 KD' 000 (Restated)*
Revenues	3	**118,981**	114,276
Cost of materials	4	**(48,365)**	(48,393)
Net investment income	5	**2,745**	759
Management fees		**300**	318
Interest income		**290**	512
Dividend income	14 & 17	**2,464**	2,543
Other income	6	**3,707**	3,302
Impairment loss on financial assets available for sale	14	**(1,528)**	(667)
Impairment loss on accounts receivable	15	**(614)**	(393)
General and administrative expenses	7	**(69,214)**	(66,556)
Depreciation	11	**(3,044)**	(3,157)
Amortisation	12	**(5,755)**	(5,761)
Finance costs		**(4,464)**	(5,288)
Foreign exchange loss		**(793)**	(708)
Gain on extinguishment of a financial liability	8	**3,354**	-
Share of results of associates	13	**1,440**	(50)
Loss for the year before taxation		**(496)**	(9,263)
Taxation	9	**(762)**	(938)
LOSS FOR THE YEAR		**(1,258)**	(10,201)
ATTRIBUTABLE TO:			
Shareholders of the Parent Company		**(876)**	(6,757)
Non-controlling interests		**(382)**	(3,444)
		(1,258)	(10,201)
		fils	fils
Basic and diluted loss per share attributable to shareholders of the Parent Company	10	**(2)**	(12)

* Certain amounts shown here do not correspond to the 2012 consolidated financial statements and reflect adjustment made, refer Note 23 and Note 34.

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	2013 KD' 000	2012 KD' 000 (Restated)*
LOSS FOR THE YEAR		**(1,258)**	(10,201)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss) to be reclassified to income statement in subsequent periods:			
Net change in fair value of financial assets available for sale		**2,157**	652
Share of other comprehensive loss of associates	13	**(11)**	(111)
Exchange difference on translation of foreign operations		**5,322**	9,808
Net other comprehensive income to be reclassified to income statement in subsequent periods		**7,468**	10,349
Other comprehensive income not to be reclassified to income statement in subsequent periods:			
Re-measurement gains (losses) on defined benefit plans		**826**	(3,712)
Deferred tax (loss) gain		**(228)**	1,017
Net other comprehensive income (loss) not to be reclassified to income statement in subsequent periods		**598**	(2,695)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**8,066**	7,654
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,808**	(2,547)
ATTRIBUTABLE TO:			
Shareholders of the Parent Company		**3,981**	(1,543)
Non-controlling interests		**2,827**	(1,004)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,808**	(2,547)

* Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustment made, refer Note 23 and Note 34.

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

ASSETS	Notes	2013 KD' 000	2012 KD'000 (Restated)*	As at 1 January 2012 KD'000 (Restated)
Non-current assets				
Property, plant and equipment	11	**29,412**	29,825	30,554
Investment property		**141**	141	140
Intangible assets	12	**89,475**	89,482	90,231
Investment in associates	13	**12,763**	11,638	12,231
Financial assets available for sale	14	**18,665**	24,704	25,302
Accounts receivable and prepayments	15	**1,669**	1,458	893
Deferred tax assets	16	**2,887**	3,272	3,004
		155,012	160,520	162,355
Current assets				
Financial assets at fair value through profit or loss	17	**41,190**	36,503	40,852
Accounts receivable and prepayments	15	**17,211**	19,299	21,137
Inventories	18	**27,504**	24,680	24,994
Cash and bank balances	19	**628**	564	978
Money at call and short notice	19	**35,070**	27,364	30,000
		121,603	108,410	117,961
TOTAL ASSETS		**276,615**	268,930	280,316
EQUITY AND LIABILITIES				
Equity				
Share capital	20	**62,529**	62,529	62,529
Statutory reserve	20	**11,647**	11,647	11,647
Voluntary reserve	20	**1,991**	1,991	1,991
Treasury shares	20	**(7,146)**	(7,366)	(7,366)
Treasury shares reserve		**493**	577	577
Other reserve		**2,579**	2,579	2,812
Foreign currency translation reserve		**3,338**	866	(4,885)
Cumulative changes in fair value		**2,051**	(95)	(636)
Accumulated losses		**(23,066)**	(22,429)	(14,594)
Equity attributable to shareholders of the Parent Company		**54,416**	50,299	52,075
Non-controlling interests	21	**89,816**	86,989	80,524
Total equity		**144,232**	137,288	132,599

The attached notes 1 to 34 form part of these consolidated financial statements.

COAST INVESTMENT & DEVELOPMENT CO. K.S.C.P

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2013

		2013	2012	As at 1 January 2012
		KD' 000	*KD'000*	*KD'000*
			*(Restated)**	*(Restated)*
Liabilities				
Non-current liabilities				
Borrowings	22	**5,776**	26,949	32,161
End of service benefits	23	**20,436**	19,982	14,827
Accounts payable and other liabilities	24	**7,238**	7,047	8,043
Amount due to related parties	25	**8,845**	8,372	6,274
Other accruals	26	**619**	904	1,683
Deferred tax liabilities	16	**799**	1,045	1,323
		43,713	64,299	64,311
Current liabilities				
Bank overdrafts	19	**507**	639	4
Borrowings	22	**55,118**	41,393	45,283
Accounts payable and other liabilities	24	**22,822**	17,203	19,789
Amount due to related parties		**-**	-	8,630
Other accruals	26	**10,223**	8,108	9,700
		88,670	67,343	83,406
Total liabilities		**132,383**	131,642	147,717
TOTAL EQUITY AND LIABILITIES		**276,615**	268,930	280,316

* Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustment made, refer Note 23 and Note 34.

Sulaiman K. Al-Sahli
Chairman

Khaled A. Al-Usaimi
Vice Chairman & CEO

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 December 2013

	Attributable to shareholders of the Parent Company											
	Share capital KD '000	Statutory reserve KD '000	Voluntary reserve KD '000	Treasury shares KD '000	Treasury shares reserve KD '000	Other reserve KD 000	Foreign currency translation reserve KD '000	Cumulative changes in fair values KD '000	Accumulated losses KD '000	Sub total KD '000	Non-controlling interests KD '000	Total KD '000
As at 1 January 2013												
(as previously reported)	62,529	11,647	1,991	(7,366)	577	2,579	866	(95)	(21,011)	51,717	61,171	112,888
Effect of IFRS 10 (Note 34)	-	-	-	-	-	-	-	-	-	-	27,946	27,946
Effect of IAS 19R (Note 23)	-	-	-	-	-	-	-	-	(1,418)	(1,418)	(2,128)	(3,546)
As at 1 January 2013 *(restated)*	62,529	11,647	1,991	(7,366)	577	2,579	866	(95)	(22,429)	50,299	86,989	137,288
Loss for the year	-	-	-	-	-	-	-	-	(876)	(876)	(382)	(1,258)
Other comprehensive income	-	-	-	-	-	-	2,472	2,146	239	4,857	3,209	8,066
Total comprehensive income (loss) for the year	-	-	-	-	-	-	2,472	2,146	(637)	3,981	2,827	6,808
Sale of treasury shares (Note 20)	-	-	-	220	(84)	-	-	-	-	136	-	136
As at 31 December 2013	**62,529**	**11,647**	**1,991**	**(7,146)**	**493**	**2,579**	**3,338**	**2,051**	**(23,066)**	**54,416**	**89,816**	**144,232**
As at 1 January 2012												
(as previously reported)	62,529	11,647	1,991	(7,366)	577	2,812	(4,885)	(636)	(14,254)	52,415	54,350	106,765
Effect of IFRS 10 (Note 34)	-	-	-	-	-	-	-	-	-	-	26,685	26,685
Effect of IAS 19R (Note 23)	-	-	-	-	-	-	-	-	(340)	(340)	(511)	(851)
As at 1 January 2012 *(restated)*	62,529	11,647	1,991	(7,366)	577	2,812	(4,885)	(636)	(14,594)	52,075	80,524	132,599
Loss for the year	-	-	-	-	-	-	-	-	(6,757)	(6,757)	(3,444)	(10,201)
Other comprehensive income	-	-	-	-	-	-	5,751	541	(1,078)	5,214	2,440	7,654
Total comprehensive income (loss) for the year	-	-	-	-	-	-	5,751	541	(7,835)	(1,543)	(1,004)	(2,547)
Increase in share capital of a subsidiary	-	-	-	-	-	-	-	-	-	-	7,159	7,159
Change in ownership interest in a subsidiary without loss of control	-	-	-	-	-	(233)	-	-	-	(233)	310	77
As at 31 December 2012 *(restated)*	62,529	11,647	1,991	(7,366)	577	2,579	866	(95)	(22,429)	50,299	86,989	137,288

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
As at 31 December 2013

	Notes	2013 KD' 000	2012 KD' 000 (Restated)*
OPERATING ACTIVITIES			
Loss for the year		**(1,258)**	(10,201)
Adjustments for:			
Unrealised (gain) loss on financial assets at fair value through profit or loss	5	**(4,535)**	1,214
Gain on extinguishment of financial liability	8	**(3,354)**	-
Share of results of associates	13	**(1,440)**	50
Dividend income	14 & 17	**(2,464)**	(2,543)
Interest income		**(290)**	(512)
Depreciation and amortisation	11 & 12	**8,799**	8,918
Impairment loss on accounts receivable		**614**	393
Impairment loss on financial assets available for sale	14	**1,528**	667
Finance costs		**4,464**	5,288
End of service benefits	23	**496**	635
Taxation	9	**762**	938
		3,322	4,847
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		**1,052**	4,711
Accounts receivable and prepayments		**1,263**	880
Inventories		**(2,824)**	314
Accounts payable and other liabilities		**672**	(3,220)
Other accruals		**1,830**	(2,371)
Amount due to related parties		**473**	(6,532)
End of service benefits paid	23	**(993)**	(1,131)
Taxes paid		**-**	(480)
Net cash from (used in) operating activities		**4,795**	(2,982)

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

As at 31 December 2013

	Notes	**2013 KD' 000**	2012 KD' 000 (Restated)*
INVESTING ACTIVITIES			
Net movement of property, plant and equipment		**(1,476)**	(1,612)
Net movement in intangible assets		**(1,695)**	(1,108)
Proceeds from redemption of investment in associates	13	**91**	370
Dividend received from associates	13	**335**	-
Proceeds from sale of financial assets available for sale		**2,290**	583
Dividend received		**1,260**	967
Interest income received		**290**	512
Net cash from (used in) investing activities		**1,095**	(288)
FINANCING ACTIVITIES			
Sale of treasury shares		**220**	-
Proceeds from borrowings		**-**	2,941
Repayment of borrowings		**-**	(12,043)
Finance costs paid		**-**	(5,197)
Net movement in non-controlling interests		**-**	7,469
Net cash from (used in) financing activities		**220**	(6,830)
Net foreign exchange differences		**1,792**	6,415
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**7,902**	(3,685)
Cash and cash equivalents at 1 January	19	**27,289**	30,974
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	19	**35,191**	27,289

* Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustment made, refer Note 23 and Note 34.

The attached notes 1 to 33 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2013

1 INCORPORATION AND ACTIVITIES

Coast Investment & Development Company K.S.C.P (the "Parent Company") is a Kuwaiti closed shareholding company incorporated on 29 July 1975. The Parent Company is engaged in various types of investment management activities such as private equity, asset management and real estate investments in local and international markets. The Parent Company's registered office is at PO Box 26755, Safat 13128, State of Kuwait.

The Parent Company's shares are listed on the Kuwait Stock Exchange.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 5 March 2014, and are issued subject to the approval of the annual general assembly of the shareholders' of the Parent Company. The annual general assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

The principal activities of the Group are explained in Note 29.

The principal activities of the Parent Company are:

a) All operations relating to securities, including sale and purchase of the shares and bonds of companies, governmental and semi-governmental corporations, for its own account or for the account of others.
b) Management of financial portfolios and investment and development of its customers' funds by deployment of their funds in investment fields locally and internationally.
c) To carry out all financial transactions including borrowing and lending, guarantees and issuing bonds of all types with or without security in the local and international markets.
d) Establish and manage investment funds for its own account and for the account of others, offering its units for subscription and undertake the functions of the investment custodian or investment manager for investment funds inside and outside the country in accordance with the laws and resolutions applicable in the state.
e) Carry out the duties related to the functions of lead managers and investment custodians of bonds issued by companies or authorities.

The New Companies Law issued on 26 November 2012 by Decree Law no. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the Decree). The Executive Regulations of the new amended law issued on 29 September 2013 and was published in the official Gazette on 6 October 2013. As per article three of the Executive Regulations, companies have one year from the date of publishing the executive regulations to comply with the new amended law.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

The consolidated financial statements are presented in Kuwaiti Dinars (“KD”), which is the functional currency of the Parent Company, and all values are rounded to the nearest thousand except where otherwise indicated.

Changes in accounting policies and disclosures

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of the following amended IASB Standards during the year:

IFRS 7: Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendment) (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 do not impact the Group’s financial position or performance.

IFRS 10: Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013)

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled and therefore, are required to be consolidated by the Group, compared with the requirements that were in IAS 27. The Group, regardless of the nature of its involvement with an entity, shall determine whether it is a Parent by assessing whether it controls the entity. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Once control is established, the standard requires the Group to start consolidating the investee from the date the investor obtains control of the investee and cease consolidation when the investor loses control of the investee. This resulted in the following change:

The adoption of IFRS 10 resulted in the establishment of control over Coast Investment Fund (“CIF”) (previously accounted for as investment in associate) since the Group is exposed, or has rights to variable returns from its involvement with CIF and has the ability to affect those returns through its power over CIF by acting as a principal. This fund is consolidated in the Group’s consolidated financial statements retrospectively from the date on which the Group obtained control. The effect of IFRS 10 is described in more detail in Note 34, which includes quantification of the effect on Group’s consolidated financial statements.

IFRS 11: Joint Arrangements (effective for annual periods beginning on or after 1 January 2013)

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. The adoption of this standard has not resulted in any impact on the financial position or performance of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
Changes in accounting policy and disclosures (continued)

IFRS 12 Disclosure of Interests with Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries, for example, where a subsidiary is controlled with less than a majority of voting rights. While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities. The details of material partly owned subsidiaries are provided in Note 21.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 31.

IAS 1: Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (Amendment) (effective for annual periods beginning on or after 1 July 2012)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income ('OCI'). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and therefore has no impact on the Group's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment) (effective for annual periods beginning on or after 1 July 2012)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. As a result, the Group has not included any additional voluntarily comparative information in its consolidated financial statements. The amendments have no impact on the Group's financial position or performance.

IAS 19: Employee Benefits (Revised 2011) (effective for annual periods beginning on or after 1 January 2013)

IAS 19 includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in OCI and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

In case of the Group, the transition to IAS 19 had an impact on the net defined benefit plan obligations due to the difference in accounting for interest on plan assets and unvested past service costs. The effect of the adoption of IAS 19R is explained in Note 23.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
Changes in accounting policy and disclosures (continued)

IAS 27: Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements.

IAS 28: Investments in Associates and Joint Ventures (Amendment) (effective for annual periods beginning on or after 1 January 2013)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)

The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the consolidated financial statements of the Group, as there is no tax consequences attached to cash or non-cash distribution.

Other amendments to IFRSs which are effective for annual accounting period beginning from 1 January 2013 did not have any material impact on the accounting policies, financial position or performance of the Group.

Standards issued but not yet effective

The following new and amended IASB Standards have been issued but not yet effective, upto the date of issuance of the group financial statements as discussed below. The Group intends to adopt these standards, if applicable , when they become effective.

IFRS 9: Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9, mandatory effective date of IFRS 9 and transition disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. On November 19, 2013, the International Accounting Standards Board (IASB) issued amendments to IFRS 9 that introduced a new general hedge accounting and removed the 1 January 2015, mandatory effective date from IFRS 9. The new hedge accounting model significantly differs from the IAS 39 hedge accounting model in a number of aspects including eligibility of hedging instruments and hedged items, accounting for the time value component of options and forward contracts, qualifying criteria for applying hedge accounting, modification and discontinuation of hedging relationships etc. Under the amendments, entities that adopt IFRS 9 (as amended in November 2013) can choose an accounting policy of either adopting the new IFRS 9 hedge accounting model now or continuing to apply the hedge accounting model in IAS 39 for the time being.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
Changes in accounting policy and disclosures (continued)

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014, and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

IAS 32: Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in its future consolidated financial statements.

Additional disclosures will be made in the consolidated financial statements when these Standards become effective.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (investees which are controlled by the Group) as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other voting or similar rights holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in OCI from the date the Group gains control until the date the Group ceases to control the subsidiary.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
Basis of consolidation (continued)

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences, recorded in equity
- Derecognises the other reserve balance, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in consolidated income statement
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to consolidated income statement or retained earnings, as appropriate, as would be required if Group had directly disposed of the related assets or liabilities.

The subsidiaries of the Group are as follows:

Name of the company	Country of incorporation	Effective equity interest		Principal activity
		2013	*2012*	
Directly held				
Kuwaiti German Holding Company K.S.C. Closed ("KGH")	Kuwait	**53.13%**	53.13%	Investing activities
Coast Investments Limited ('CIL')	British Virgin Islands	**100%**	100%	Investment services
Coast Holding Corporation ('CHC')	USA	**100%**	100%	Investment services
Lujain Group of Economic & Management Consultancy ('Lujian')	Kuwait	**51%**	51%	Management consultancy
Coast Investment Fund('CIF')	Kuwait	**33.2%**	33.2%	Investment activities
Held through KGH				
Weinig International A.G.* ('Weinig')	Germany	**39.9%**	39.9%	Manufacturing of wood processing machinery
JNW Middle East **('JNW ME')	Kuwait	**29.22%**	29.22%	Cleaning of heat exchangers
Melius GmbH ('Melius')	Germany	**100%**	100%	Management consultancy
JNW Cleaning Solutions GmbH ('JNW Cleaning')	Germany	**100%**	100%	Cleaning of heat exchangers

* The Parent Company holds direct equity interest of 12.37% (2012:12.37%) and indirect equity interest of 52% (2012: 52%) through KGH resulting in effective equity interest of 39.9% (2012: 39.9%).

** KGH holds direct equity interest of 45% and indirect equity interest of 10% through JNW Cleaning Solutions GmbH (100% owned by KGH) resulting in effective equity interest of 29.22% (2012: 29.22%) at Parent Company level.

Details of material partly owned subsidiaries are given in Note 21.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated income statement.

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

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account the contractually defined terms of payment. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in most of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised:

- Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.
- Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably by reference to the stage of completion of the transaction at the reporting date. Where the outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.
- Revenue from production orders are recognised on a pro-rata basis at reporting date, based on the percentage of completion of the order. The percentage of completion applicable is calculated using the cost-to-cost method

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(costs incurred to date in relation to the expected total costs). The revenues from the order constitute the contractual price and follow-up price as agreed to in writing with the customer.

- Management fees, relating to fiduciary client portfolios, fund management and custody services, are recognised over the period of time when these services are rendered.
- Interest income is recognised using the effective yield method taking into account the principal outstanding and the rate applicable.
- Dividend income is recognised when the right to receive payment is established.

Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") and taxation

Kuwait Foundation for the Advancement of Sciences ('KFAS')

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

National Labour Support Tax ('NLST')

The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat

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

Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate. Income tax payable on taxable profit ('current tax') is recognised as an expense in the year in which the profits arise in accordance with the fiscal regulations of the respective countries in which the Group operates.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Financial assets

Initial recognition and measurement

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

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

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date on which the Group makes a commitment to buy or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

The Group's financial assets include cash and bank balances, money at call and short notice, trade and other receivables, financial asset carried at fair value through profit or loss and financial asset available for sale.

Subsequent measurement

The subsequent measurement of financial assets depend on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated income statement.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

Financial assets available for sale

Financial assets available for sale include equity securities and unquoted managed funds. Equity investments and unquoted managed funds classified as available for sale are those, which are neither classified as loans and receivables nor at fair value through profit or loss.

After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as OCI until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated income statement, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated income statement. Financial assets available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Interest earned whilst holding financial assets available for sale is reported as interest income using the effective interest rate (EIR) method.

Loans and receivables

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
Financial assets (continued)

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
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income is continued to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the consolidated income statement.

Financial assets available for sale

For financial assets available for sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a Group of investments is impaired.

In the case of equity investments classified as financial asset available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement - is removed from OCI and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in OCI.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at amortised cost. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts; and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value

Fair value measurement applicable after 1 January 2013

The Group measures financial instruments, such as financial assets available for sale and financial assets carried at fair value through profit or loss and non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability, or (b) n the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value (continued)

Fair value measurement applicable after 1 January 2013 (continued)

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value measurement applicable before 1 January 2013

The fair value of financial instruments traded in active markets is determined by reference to quoted market price or dealer price quotation (bid price for assets and ask price for liabilities) without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Cash and cash equivalents

For purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand and bank balances, short term deposits, money at call and short notice with maturities upto three months from the date of placement, net of outstanding overdraft, if any.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated income statement.

Freehold land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other property, plant and equipment to their residual values as follows :

Buildings	20 – 70 years
Plant and machinery	5 – 30 years
Office equipment	3 – 21 years

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
Property, plant and equipment (continued)

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

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

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets (other than goodwill) are carried at cost less any accumulated amortisation that is recognised on a straight line basis over their useful lives and any accumulated impairment losses. Internally generated intangible assets excluding capitalised developmental costs are not capitalised and expenditure is reflected in consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives (patent rights, technology and customer relationship) are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed annually. 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 intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset. The customer relationship, technology and development costs are amortised over a period of 10 years.

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

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The consideration made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for under the equity method of accounting. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised nor separately tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the OCI of the associate, the Group recognises its share of any changes and discloses this, when applicable, in OCI. Distributions received from an associate reduce the carrying value of the investment. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group using consistent accounting policies. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

Investment property

Investment property is initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the cost of day to day servicing of investment property. Subsequent to initial recognition, the investment property is stated at fair value that is determined based on valuation performed by independent valuators periodically using valuation methods consistent with the nature and usage of the investment property. Gains or losses arising from change in the fair value of investment property are recognised in the consolidated income statement in the period in which they arise.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property (continued)

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

Inventories

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

Borrowing costs

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

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as lessee

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the consolidated income statement in expense categories consistent with the function of the impaired asset.

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement, net of any reimbursement.

Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of; the amount that would be recognised in accordance with the general guidance for provisions above in accordance with 'IAS 37: Provisions, Contingent Liabilities and Contingent Assets', or the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition in accordance with 'IAS 18: Revenue'.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
Provisions (continued)

Employees' end of service benefits

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

One of the subsidiaries of the Group has both defined benefit and defined contribution pension plans. The defined contribution plans are statutory pension insurance.

The defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in consolidated statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments of unrecognized actuarial gains or losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds. These are denominated in the currency in which the benefit will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Re-measurements, comprising of actuarial gains and losses, the effect of asset ceiling, excluding net interest (not applicable to the group) and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised immediately in the consolidated income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service cost are amortised on a straight line basis over the vesting period.

The contributions for defined contribution plans are recognised as employee benefit expense (under the heading of personnel expenses) when they are due. Prepaid contribution is recognised as an asset to the extent that of cash refund or a reduction in the future payments is available.

Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are reissued, gains are credited to a separate account in equity, the treasury shares reserve, 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 the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any provisional recorded losses in order of reserves, retained earnings and treasury share reserve account. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Other reserve

Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the respective entity's functional currency spot rate of exchange ruling at the reporting date. Any resultant gains or losses are recognised in the consolidated income statement.

Non-monetary assets and liabilities in foreign currencies that are stated at fair value are translated to respective entity's functional currency at the foreign exchange rates ruling on the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognised directly in OCI, foreign exchange differences are recognised directly in OCI and for non-monetary assets whose change in fair value are recognised directly in the consolidated income statement, foreign exchange differences are recognised in the consolidated income statement.

As at the reporting date, the assets and liabilities of subsidiaries are translated into the Parent Company's presentation currency KD at the rate of exchange ruling on the reporting date, and their income statements are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to OCI. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in other comprehensive income relating to that particular subsidiary is recognised in the consolidated income statement.

Any goodwill or fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the respective subsidiaries and translated at the rate of exchange ruling on the reporting date.

Fiduciary assets

Assets and related deposits held in trust or in a fiduciary capacity are not treated as assets or liabilities of the Group and accordingly are not included in the consolidated statement of financial position.

Segment information

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

Contingencies

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

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

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Parent Company's shareholders.

Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Impairment of financial assets available for sale

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

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Operating Lease Commitments – Group as lessor

The Group has entered into commercial property leases on its investment properties portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Classification of investments

Judgments are made in the classification of financial instruments based on management's intention at acquisition as described in the respective accounting policies.

Estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment losses of accounts receivable

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation uncertainty and assumptions (continued)

Impairment of goodwill and intangible assets with indefinite life

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

Useful lives of property, plant and equipment and intangible assets

The management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of investment in associates

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

Fair values of assets and liabilities including intangible assets

Considerable judgement by management is required in the estimation of the fair value of the assets including intangible assets with definite and indefinite useful life, liabilities and contingent liabilities acquired as a result of business combination.

Revenue from production orders

Revenue from production orders is recognised in accordance with the percentage-of-completion method. In other words, revenues are stated on a pro-rata basis, according to the percentage of completion achieved to date. The percentage of completion as at reporting sheet date is calculated using the cost-to-cost method.

Development costs

Development costs are capitalised in accordance with the accounting policies presented in these notes. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Pension provisions

When calculating pension provisions, differences compared to the actual obligations incurred over time may arise from the selection of underlying assumptions such as the imputed interest rate or trends and use of demographic probabilities.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation uncertainty and assumptions(continued)

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group Company's domicile. As the Group assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Any changes in these estimates and assumptions as well as the use of different, but equally reasonable estimates and assumptions may have an impact on carrying amounts of loans and receivables and financial assets available for sale.

3 REVENUES

	2013	2012
	KD '000	*KD '000*
Sale of wood processing machines	**81,997**	79,677
Sale of tools	**22,935**	22,148
Rendering of services	**6,086**	2,662
Own works capitalised	**2,226**	1,628
Other sales	**5,737**	8,161
	118,981	114,276

4 COST OF MATERIALS

	2013	2012
	KD '000	*KD '000*
Raw materials, consumables and supplies and purchased merchandise	**42,634**	42,839
Purchased services	**5,731**	5,554
	48,365	48,393

5 NET INVESTMENT INCOME

	2013 KD '000	2012 KD '000 (Restated)
Realised gain on financial assets at fair value through profit or loss	72	1,802
Unrealised gain (loss) on financial assets at fair value through profit or loss	4,535	(1,214)
Net (loss) gain on sale of financial assets available for sale	(1,778)	171
Loss on disposal of an associate	(84)	-
	2,745	759

6 OTHER INCOME

	2013 KD '000	2012 KD '000
Utilisation of accruals	793	728
Release of accruals and deferrals	377	525
Gain on disposal of assets and scrap	868	806
Other income	896	1,059
Income from damages	773	184
	3,707	3,302

7 GENERAL AND ADMINISTRATIVE EXPENSES

	2013 KD '000	2012 KD '000 (Restated)
Wages and salaries	39,190	37,947
Social security and other pension costs	8,356	8,225
Commission expenses	4,762	4,922
Travel and transportation expenses	4,757	4,343
Marketing expenses	2,237	1,889
Consultancy expenses	1,565	1,315
Maintenance expenses	1,363	1,173
Rental expenses	1,011	975
Utility expenses	997	797
Insurance expenses	570	468
Other expenses	4,406	4,502
	69,214	66,556

8 GAIN ON EXTINGUISHMENT OF A FINANCIAL LIABILITY

During the year, the Group has settled a financial liability amounting to KD 7,709 thousand, towards one of the local financial institutions under a debt asset swap agreement and has recorded a gain of KD 3,354 thousand upon de-recognition of amounts due to the financial institution, in accordance with IAS 39 - Financial Instruments: Recognition and Measurement, in the consolidated income statement.

9 TAXATION

	2013	2012
	KD '000	*KD '000*
Taxation arising from overseas subsidiary companies	**762**	938

Components of taxation arising from overseas subsidiaries are as follows:

	2013	2012
	KD '000	*KD '000*
Current tax	**674**	27
Deferred tax (Note 16)	**88**	911
	762	938

The tax rate applicable to the taxable subsidiaries is in the range of 14% to 39% (2012: 17% to 38%). The weighted average applicable tax rate for the year ended 31 December 2013 is 28% (2012: 28%).

For the purpose of determining the taxable results for the year, the accounting profit of the overseas subsidiary companies were adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices of each overseas subsidiary companies jurisdiction.

10 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss for the year attributable to the shareholders of the Parent Company by the weighted average number of shares outstanding during the year less treasury shares.

	2013	2012
	KD '000	*KD '000*
Loss for the year attributable to shareholders of the Parent Company	**(876)**	(6,757)
	Shares	*Shares*
Weighted average number of outstanding shares	**625,293,152**	625,293,152
Less: Weighted average number of treasury shares	**(61,742,468)**	(62,963,268)
Weighted average number of outstanding shares	**563,550,684**	562,329,884
Basic and diluted loss per share attributable to the shareholders of the Parent Company	**(2)** fils	(12) fils

11 PROPERTY, PLANT AND EQUIPMENT

	Land KD '000	*Buildings* KD '000	*Plant and machinery* KD '000	*Office equipment* KD '000	*Total* KD '000
Cost:					
As at 1 January 2013	1,053	23,750	4,733	4,615	34,151
Additions	-	33	378	1,559	1,970
Disposals	-	(22)	(448)	(465)	(935)
Exchange adjustment	-	917	595	166	1,678
As at 31 December 2013	**1,053**	**24,678**	**5,258**	**5,875**	**36,864**
Accumulated depreciation:					
As at 1 January 2013	-	(1,452)	(1,203)	(1,671)	(4,326)
Charge for the year	-	(825)	(998)	(1,221)	(3,044)
Disposals	-	20	123	298	441
Exchange adjustment	-	(15)	(74)	(434)	(523)
As at 31 December 2013	-	**(2,272)**	**(2,152)**	**(3,028)**	**(7,452)**
Net carrying amount:					
As at 31 December 2013	**1,053**	**22,406**	**3,106**	**2,847**	**29,412**

	Land KD '000	*Buildings* KD '000	*Plant and machinery* KD '000	*Office equipment* KD '000	*Total* KD '000
Cost:					
As at 1 January 2012	1,053	23,594	3,670	3,653	31,970
Additions	-	34	766	1,093	1,893
Disposals	-	-	(46)	(612)	(658)
Exchange adjustment	-	122	343	481	946
As at 31 December 2012	1,053	23,750	4,733	4,615	34,151
Accumulated depreciation:					
As at 1 January 2012	-	(594)	(230)	(592)	(1,416)
Charge for the year	-	(798)	(950)	(1,409)	(3,157)
Disposals	-	-	22	355	377
Exchange adjustment	-	(60)	(45)	(25)	(130)
As at 31 December 2012	-	(1,452)	(1,203)	(1,671)	(4,326)
Net carrying amount:					
As at 31 December 2012	1,053	22,298	3,530	2,944	29,825

12 INTANGIBLE ASSETS

	Goodwill	*Other intangible assets*					***Total***
		Trademark	*Patent rights*	*Technology*	*Customer relationship*	*Subtotal*	
	KD '000	*KD '000*	*KD '000*	*KD '000*	*KD'000*	*KD '000*	***KD '000***
Gross carrying amount:							
As at 1 January 2013	32,695	10,692	10,588	25,081	18,107	64,468	97,163
Additions	-	-	1,700	-	-	1,700	1,700
Disposals	-	-	(44)	-	-	(44)	(44)
Exchange adjustment	1,547	96	886	1,129	794	2,905	4,452
As at 31 December 2013	**34,242**	**10,788**	**13,130**	**26,210**	**18,901**	**69,029**	**103,271**
Accumulated amortisation:							
As at 1 January 2013	-	-	(1,970)	(3,206)	(2,505)	(7,681)	(7,681)
Charge for the year	-	-	(1,468)	(2,476)	(1,811)	(5,755)	(5,755)
Disposals	-	-	39	-	-	39	39
Exchange adjustment	-	-	(115)	(172)	(112)	(399)	(399)
As at 31 December 2013	-	-	**(3,514)**	**(5,854)**	**(4,428)**	**(13,796)**	**(13,796)**
Net carrying amount:							
As at 31 December 2013	**34,242**	**10,788**	**9,616**	**20,356**	**14,473**	**55,233**	**89,475**

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12 INTANGIBLE ASSETS (continued)

	Goodwill	*Other intangible assets*					*Total*
		Trademark	*Patent rights*	*Technology*	*Customer relationship*	*Subtotal*	
	KD '000	*KD '000*	*KD '000*	*KD '000*	*KD'000*	*KD '000*	*KD '000*
Gross carrying amount:							
As at 1 January 2012	30,561	10,085	8,757	24,393	17,500	60,735	91,296
Additions	-	-	1,139	-	-	1,139	1,139
Disposals	-	-	(105)	-	-	(105)	(105)
Exchange adjustment	2,134	607	797	688	607	2,699	4,833
As at 31 December 2012	32,695	10,692	10,588	25,081	18,107	64,468	97,163
Accumulated amortisation:							
As at 1 January 2012	-	-	-	(646)	(419)	(1,065)	(1,065)
Charge for the year	-	-	(1,669)	(2,364)	(1,728)	(5,761)	(5,761)
Disposals	-	-	74	-	-	74	74
Exchange adjustment	-	-	(375)	(196)	(358)	(929)	(929)
As at 31 December 2012	-	-	(1,970)	(3,206)	(2,505)	(7,681)	(7,681)
Net carrying amount:							
As at 31 December 2012	32,695	10,692	8,618	21,875	15,602	56,787	89,482

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As at 31 December 2013

12 INTANGIBLE ASSETS (continued)

Impairment testing of goodwill and intangible asset with indefinite useful life

Goodwill acquired through business combinations and intangible assets with indefinite useful life namely 'trademark' has been allocated to one CGU, namely, manufacturing of wood processing equipment.

Goodwill and Trademark

The carrying amount of goodwill and trademark allocated to the CGU is disclosed under segment information (Note 29). The recoverable amounts of the CGU has been determined based on the value in use calculation, using cash flow projections approved by management for 2014 and assuming an average annual growth rate of 1.5% for the five year period thereafter. The growth rate used does not exceed the average long term growth rate of the business unit in which the CGU operates. The pre-tax discount rate ranges from 8.25% to 8.50% (2012: 8.18% to 8.25%) applied to cash flow projections over a five years period.

The calculation of value in use is sensitive to the following assumptions:

- Gross margins;
- Discount rates;
- Market share assumptions;
- Projected growth rates used to extrapolate cash flows beyond the budget period; and
- Inflation rates.

Gross margins:

Gross margins are based on past developments and expectations of the future market developments. These are increased over the budget period for anticipated market conditions.

Discount rates:

Discount rates reflect management's estimate of return on capital employed (ROCE) required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using the Weighted Average Cost of Capital (WACC).

Market share assumptions:

These assumptions are important because, as well as using industry data for growth rates, management assess how the unit's relative position to its competitors might change over the budget period.

Projected growth rates:

Assumptions are based on published industry research.

Inflation rates:

Estimates are obtained from published indices for countries where the Group operates.

Sensitivity to changes in assumptions:

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

13 INVESTMENT IN ASSOCIATES

Details of associates are set out below:

Name	Country of incorporation	Interest in equity %		Principal activity	Carrying value	
		2013 KD '000	2012 KD '000 (Restated)		2013 KD '000	2012 KD '000 (Restated)
Union Securities Brokerage Company K.S.C. (Closed)	Kuwait	**20.00**	20.00	Brokerage Company	**4,867**	4,755
Coast Pearl Fund*	Kuwait	**-**	22.26	Investing activities	**-**	90
Aqar Real Estate Investments Company K.S.C.P	Kuwait	**20.02**	20.02	Real estate activities	**5,309**	4,526
Rico GmbH	Germany	**23.73**	23.73	Manufacturing	**2,587**	2,267

* Liquidated during the year.
As no individually associate is considered material to the Group, the following summarised financial information of the Group's investment in associates has been disclosed at aggregate level.

	2013 KD '000	2012 KD '000 (Restated)
Current assets	**23,583**	16,849
Non-current assets	**22,057**	27,286
Current liabilities	**(8,438)**	(9,075)
Non-current liabilities	**(1,638)**	(3,854)
Equity	**35,564**	31,206
Proportion of the Group's ownership	**8,976**	7,851
Carrying amount of the investment	**12,763**	11,638

The carrying amount of the investment in associates includes goodwill of KD 3,787 thousand (2012: KD 3,787 thousand).

	2013 KD '000	2012 KD '000 (Restated)
Revenue	**34,142**	14,905
Cost of sales	**(11,175)**	(6,827)
Other income	**283**	1,172
Administrative expenses	**(15,531)**	(9,132)
Finance costs	**(190)**	(175)
Profit (loss) before tax	**7,529**	(57)
Income tax expense	**(721)**	(294)
Profit (loss) for the year	**6,808**	(351)
Group's share of profit (loss) for the year	**1,440**	(50)

The associates have no contingent liabilities or capital commitments as at 31 December 2013 or 31 December 2012.

13 INVESTMENT IN ASSOCIATES (continued)

Movement in the carrying amount of investment in associates is as follows:

	2013 KD '000	*2012 KD '000*
Carrying amount as at 1 January (*as previously reported*)	**25,530**	25,496
Impact of adoption of IFRS 10 (Note 34)	**(13,892)**	(13,265)
Carrying amount as at 1 January (*restated*)	**11,638**	12,231
Disposal / redemptions during the year	**(91)**	(370)
Share of results	**1,440**	(50)
Dividend	**(335)**	-
Cumulative change in fair value recognised directly in OCI	**(11)**	(111)
Exchange adjustment	**122**	(62)
Carrying amount as at 31 December	**12,763**	11,638

Investment in an associate with a carrying value of KD 5,309 thousand (2012: KD 4,526 thousand) has a fair value of KD 4,407 thousand (2012: KD 4,407 thousand) determined based on the last market bid price as at the reporting date.

As at the reporting date, the management of the Parent Company has assessed the carrying value of associates and believes that there is no objective evidence or circumstances that indicate any impairment in the value of the investment in associates. Therefore, no impairment has been recognised in respect of these associates in the consolidated income statement (2012: Nil).

14 FINANCIAL ASSETS AVAILABLE FOR SALE

	2013 KD '000	*2012 KD '000*
Quoted investments	**2,936**	7,970
Unquoted investments	**15,729**	16,734
	18,665	24,704

Unquoted investments include investments in private equity funds amounting to KD 9,734 thousand (2012: KD 8,474 thousand) which are carried at net asset values as reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

At 31 December 2013, certain unquoted investments available for sale amounting to KD 5,951 thousand (2012: KD 8,216 thousand) are carried at cost due to the unavailability of reliable measures of their fair values.

Management has performed a review of investments to assess whether impairment has occurred in the value of these investments. Based on specific information, management has recorded an impairment loss of KD 1,528 thousand (2012: KD 667 thousand) in the consolidated income statement for the year in respect of investments available for

14 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

sale. Based on the latest available financial information, management is of the view that no further impairment is required as at 31 December 2013 in respect of these investments.

During the year, the Group earned dividend income of KD 1,260 thousand (2012: KD 967 thousand) on its available for sale investments.

Fair value hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in Note 31.

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2013 KD '000	*2012 KD '000 (Restated)*
Non-current receivables		
Trade receivable	**1,669**	1,458
Current receivables and prepayments		
Trade receivable	**13,778**	14,529
Advances and prepayments	**39**	410
Accrued income	**262**	343
VAT receivables	**1,057**	810
Other receivables	**2,075**	3,207
	17,211	19,299
	18,880	20,757

Non-current trade receivables are discounted using an average interest rate of 3.17% (2012: 3.05%). The carrying amount therefore corresponds to the fair value.

As at 31 December 2013, trade receivables at nominal value of KD 1,729 thousand (2012: KD 1,426 thousand) were impaired and totally provided. Movement in the allowance for impairment of trade accounts receivables is as follows:

	Individually impaired KD '000	***Collectively impaired KD '000***	***2013 Total KD '000***	*2012 Total KD '000*
As at 1 January	**1,403**	**23**	**1,426**	1,247
Charge for the year	**608**	**6**	**614**	393
Utilised during the year	**(385)**	**-**	**(385)**	(258)
Exchange adjustment	**74**	**-**	**74**	44
As at 31 December	**1,700**	**29**	**1,729**	1,426

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

At 31 December, the ageing of unimpaired trade receivables is as follows:

		Past due but not impaired			
	Neither past due nor impaired	*< 30 days*	*30 to 90 days*	*> 90 days*	*Total*
	KD '000	*KD '000*	*KD '000*	*KD '000*	*KD 000's*
2013	**12,192**	**1,602**	**1,091**	**562**	**15,447**
2012	10,526	1,413	2,286	1,762	15,987

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

16 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	2013 ***KD '000***	*2012* *KD '000* *(Restated)*
Deferred tax assets	**2,887**	7,508
Offset with deferred tax liabilities	**-**	(4,236)
	2,887	3,272
Deferred tax liabilities	**799**	5,281
Offset with deferred tax assets	**-**	(4,236)
	799	1,045
Net deferred tax assets	**2,088**	2,227

The movement in net deferred tax assets is as follows:

	2013 ***KD '000***	*2012* *KD '000* *(Restated)*
As at 1 January *(as previously stated)*	**2,227**	1,364
Effect of IAS 19R (Note 23)	**-**	1,321
As at 1 January *(restated)*	**2,227**	2,685
Exchange adjustment	**(51)**	453
Expense for the year (Note 9)	**(88)**	(911)
As at 31 December	**2,088**	2,227

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 **KD '000**	*2012* *KD '000* *(Restated)*
Held for trading:		
Local securities – quoted	**16,070**	12,402
Designated:		
Local and foreign securities – quoted	**21,938**	21,121
Foreign structured notes	**2,862**	2,713
Foreign unquoted mutual funds	**320**	267
	25,120	24,101
	41,190	36,503

The foreign unquoted mutual fund investments are carried at net asset value provided by the fund manager. Due to the nature of these investments, the net asset value provided by the fund manager represents the best estimate of fair value available for these investments.

During the year, the Group earned dividend of KD 1,204 thousand (2012: KD 1,576 thousand) on financial assets at fair value through profit or loss.

Fair value hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in Note 31.

18 INVENTORIES

	2013 **KD '000**	*2012* *KD '000*
Raw materials, consumables and supplies	**11,582**	9,175
Work in progress	**6,604**	5,482
Finished goods	**9,318**	10,023
	27,504	24,680

The amount of write-down of inventories recognised as an expense during the year is KD 558 thousand (2012: KD 5,262 thousand) which is recognised in cost of inventories.

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19 CASH AND CASH EQUIVALENTS

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

	2013	*2012*
	KD '000	*KD '000*
		(Restated)
Cash and bank balances	**628**	564
Money at call and short notice	**35,070**	27,364
Bank overdrafts	**(507)**	(639)
Cash and cash equivalents for the purpose of consolidated statement of cash flows	**35,191**	27,289

The money at call and short notice represents deposits placed with reputed local and international financial institutions. These deposits yield interest at an average rate of 0.65% per annum (2012: 0.64% per annum) and have original maturity of less than three months.

20 SHARE CAPITAL AND RESERVES

Share capital

The authorised, issued and paid-up capital of the Parent Company consists of 625,293,152 shares (2012: 625,293,152 shares) of 100 fils per share (2012: 100 fils per share), which are fully paid up in cash.

Statutory reserve

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before KFAS, NLST and Zakat is required to be transferred to statutory reserve. Such annual transfers may be discontinued by a resolution of the Parent Company's annual general meeting upon a recommendation by the Board of Directors. No transfer has been made by the Parent Company during the year since the Parent Company has incurred losses during the year.

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

Voluntary reserve

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before KFAS, NLST and Zakat is required to be transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the Parent Company's annual general meeting upon a recommendation by the Board of Directors. No transfer has been made by the Parent Company during the year since the Parent Company has incurred losses during the year.

There is no restriction on distribution of this reserve.

20 SHARE CAPITAL (continued)

Treasury shares

	2013	2012
Number of shares	**61,075,268**	62,963,268
Percentage of issued shares	**9.77%**	10.07%
Market value (KD '000)	**3,970**	2,424

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

Dividend

The Board of Directors has recommended neither a cash dividend nor bonus shares for the year ended 31 December 2013 (2012: Nil). This is subject to being approved by the shareholders' in the annual general assembly meeting.

21 MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that has material non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interests:

	Country of incorporation	*Equity interest held by non-controlling interests*	
		2013	*2012*
KGH	Kuwait	**46.87%**	46.87%
CIF	Kuwait	**66.80%**	66.80%

	2013	*2012*
	KD 000's	*KD 000's*
Accumulated balances of material non-controlling interests:		
KGH	**51,176**	52,949
CIF	**30,816**	27,946
(Loss) profit allocated to material non-controlling interests:		
KGH	**(2,580)**	(3,727)
CIF	**2,869**	1,261

21 MATERIAL PARTLY-OWNED SUBSIDIARY (continued)

The summarised financial information of KGH and CIF is provided below. This information is based on amounts before inter-company eliminations.

Summarised income statement:

	KGH		CIF	
	2013 KD' 000	*2012 KD' 000*	***2013 KD' 000***	*2012 KD' 000*
Revenue	**122,832**	117,927	**4,892**	2,353
Cost of raw materials	**(48,365)**	(48,393)	**-**	-
General and administrative expenses	**(68,181)**	(64,994)	**(597)**	(464)
Finance costs	**(1,545)**	(2,011)	**-**	-
Depreciation and amortisation	**(8,765)**	(8,869)	**-**	-
Foreign exchange loss	**(719)**	(674)	**-**	-
(Loss) profit before tax	**(4,743)**	(7,014)	**4,295**	1,889
Taxation	**(762)**	(938)	**-**	-
(Loss) profit for the year	**(5,505)**	(7,952)	**4,295**	1,889
Attributable to non-controlling interests	**(2,580)**	(3,727)	**2,869**	1,261

Summarised statement of financial position

	KGH		CIF	
	2013 KD' 000	*2012 KD' 000*	***2013 KD' 000***	*2012 KD' 000*
Property, plant and equipment	**28,327**	28,719	**-**	-
Intangible assets	**82,876**	83,181	**-**	-
Deferred tax assets	**2,887**	2,324	**-**	-
Accounts receivable and prepayments	**18,045**	18,208	**218**	4
Financial assets at fair value through profit and loss	**-**	-	**38,913**	35,190
Inventories	**27,504**	24,679	**-**	-
Money at call and short notice	**24,469**	19,905	**7,258**	6,800
Cash and bank balances	**43**	4	**-**	-
End of service benefits	**(19,216)**	(13,980)	**-**	-
Borrowings	**(4,719)**	(5,038)	**-**	-
Deferred tax liabilities	**(799)**	(1,418)	**-**	-
Accounts payable	**(28,184)**	(25,654)	**(258)**	(156)
Amount due to related parties	**(13,571)**	(12,849)	**-**	-
Other accruals	**(8,475)**	(5,111)	**-**	-
Total equity	**109,187**	112,970	**46,131**	41,838
Attributable to non-controlling interests	**51,176**	52,949	**30,816**	27,946

21 MATERIAL PARTLY-OWNED SUBSIDIARY (continued)

Summarised cash flow information :

	KGH		CIF	
	2013	*2012*	**2013**	*2012*
	KD' 000	*KD' 000*	**KD' 000**	*KD' 000*
Operating activities	**7,158**	(11,993)	461	2,104
Investing activities	**(2,959)**	(2,087)	-	-
Financing activities	**(299)**	6,660	(3)	(3)
Net increase (decrease) in cash and cash equivalents	**3,900**	**(7,420)**	**458**	2,101

22 BORROWINGS

	Non-current		*Current*		*Total*	
	2013	*2012*	**2013**	*2012*	**2013**	*2012*
	KD '000	*KD '000*	**KD '000**	*KD '000*	**KD '000**	*KD '000*
Unsecured bank loans	**2,259**	23,473	**54,309**	37,941	**56,568**	61,414
Secured bank loans	**3,517**	3,476	**809**	3,452	**4,326**	6,928
	5,776	26,949	**55,118**	41,393	**60,894**	68,342

Inventories with a carrying value of KD 4,225 thousand (2012: KD 4,292 thousand) are mortgaged as security against bank loan amounting to KD 4,225 thousand (2012: KD 4,292 thousand).

Currency	*Effective interest rate %*	*Security*	**2013 KD '000**	*2012 KD '000*
KD	4.5 – 6	Unsecured	**55,271**	59,951
U.S. Dollars	5	Secured (letter of guarantee)	**-**	2,489
U.S. Dollars	2.77 – 2.86	Unsecured	**904**	901
Euro	9.29	Unsecured	**393**	562
Euro	3.38	Secured (inventory)	**4,225**	4,292
Other currencies	5.18	Secured (letter of guarantee)	**101**	147
			60,894	68,342

23 END OF SERVICE BENEFITS

	2013	*2012*
	KD '000	*KD '000*
		(Restated)
Movement in the provision recognised in the consolidated statement of financial position is as follows:		
As at 1 January *(as previously stated)*	**19,982**	13,659
Effect of IAS 19R	**-**	4,867
As at 1 January	**19,982**	18,526
Provided during the year	**496**	635
Employees' end of service benefits paid	**(993)**	(1,131)
Exchange adjustment	**951**	1,952
As at 31 December	**20,436**	19,982

The Group has assumed responsibility for defined benefit plans for the employees of the Group. As at the reporting date the status of the plan is as follows:

	2013	*2012*
	KD '000	*KD '000*
Present value of the defined benefit obligation	**21,859**	20,989
Less: Fair value of the plan assets	**(2,649)**	(2,381)
Carrying amount of unfunded obligations	**19,210**	18,608
Unrealised actuarial gains (losses)	**6**	(4,629)
	19,216	13,979

One of the subsidiaries of the Group operates a defined benefit plan for their employees. Due to the revision of IAS 19 Employee Benefits ("IAS 19R"), the Group has applied the changes retrospectively as required by the transition rules of IAS 19R. The transition to IAS 19R has an impact on the defined benefit plan obligations mainly because of the change in the accounting treatment of interest on planned assets and the actuarial losses.

As a result, the Group recorded the unrecognised actuarial losses in the opening retained earnings as disclosed in the table below.

Impact on consolidated financial statements:

	31 December 2012
	KD 000's
	(Restated)
End of service benefits *(as previously stated)*	15,115
Increase in defined benefit plan obligation (non-current)	4,867
End of service benefits *(restated)*	19,982

23 END OF SERVICE BENEFITS (continued)

	31 December 2012 *KD 000's* *(Restated)*
Deferred tax liabilities *(as previously stated)*	1,418
Decrease in deferred tax liabilities (non-current)	(373)
Deferred tax liabilities *(restated)*	1,045
Deferred tax assets *(as previously stated)*	2,324
Increase in deferred tax assets (non-current)	948
Deferred tax assets *(restated)*	3,272

Impact on consolidated statement of changes in equity:

	31 December 2012 *KD 000's* *(Restated)*
Increase in the defined benefit plan obligation (non-current)	(4,867)
Decrease in deferred tax liabilities (non-current)	373
Increase in deferred tax assets (non-current)	948
	(3,546)
ATTRIBUTABLE TO:	
Shareholders of the Parent Company	(1,418)
Non-controlling interests	(2,128)
	(3,546)

There was no material impact on the consolidated income statement, consolidated statement of cash flows and basic and diluted loss per share for the year ended 31 December 2012.

24 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2013 ***KD '000***	*2012* *KD '000* *(Restated)*
Trade payables	**6,156**	5,525
Advances received from customers	**9,185**	4,845
Promissory Notes	**3,319**	3,143
Dividend payable	**209**	214
Commission payable	**1,148**	980
Tax payable	**2,831**	1,662
Other liabilities	**7,212**	7,881
	30,060	24,250

24 ACCOUNTS PAYABLE AND OTHER LIABILITIES (continued)

The entire trade payables are of short-term nature. The carrying amounts of the liabilities largely correspond to the fair values.

Non-current portion of accounts payables and other liabilities amounting to KD 7,238 thousand (2012: KD 7,047 thousand) includes promissory notes amounting to KD 3,319 thousand (2012: KD 3,143 thousand) and other liabilities amounting to KD 3,919 thousand (2012: KD 3,904 thousand). Since the liabilities carry floating interest rates the carrying value represents the fair value as at the reporting date.

25 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out on terms approved by the Parent Company's management.

The related party balances and transactions included in the consolidated financial statements are as follows:

	Others	***2013***	*2012*
	KD '000	***KD '000***	*KD '000*
Consolidated statement of financial position			
Amount due to related parties - non-current liabilities	8,845	**8,845**	8,372
Consolidated income statement			
Management fees	28	**28**	27
Finance cost	112	**112**	140

Outstanding balances at the year-end are unsecured and carry interest at 1.21% to 3.77% per annum (2012: 1.72% to 2.84% per annum) and are repayable as per the terms of the contract. For the year ended 31 December 2013, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2012: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Key management compensation

The remuneration of key management personnel of the Group during the year was as follows:

	2013	*2012*
	KD '000	*KD '000*
Salaries and short-term benefits	**846**	710
Employees' end of service benefits	**301**	220
	1,147	930

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26 OTHER ACCRUALS

	2013 KD '000	*2012 KD '000 (Restated)*
Other personnel accruals*	**921**	1,027
Warranties	**1,666**	1,705
Machine installation outstanding	**654**	601
Accrued expenses	**5,755**	3,278
Other accruals**	**1,846**	2,401
	10,842	9,012

* The other personnel accruals include accrual for the early retirement scheme amounting to KD 619 thousand (2012: KD 904 thousand) that are classified as non-current.

** Other accruals include tax accruals amounting to KD 480 thousand (2012: KD 356 thousand) recorded by foreign subsidiaries with respect to the accruals for corporation profits tax and trade tax.

27 FIDUCIARY ASSETS

Fiduciary assets comprise investments and funds managed by the Group on behalf of the clients. Total income earned by the Group from the fiduciary activities amounted to KD 246 thousand (2012: KD 259 thousand).

28 COMMITMENTS AND CONTINGENT LIABILITIES

At the reporting date, the Group had capital commitments of KD 1,506 thousand (2012: KD 2,362 thousand) towards purchase of investments. Further, the Group had commitments on machines sold to external parties aggregating to KD 623 thousand (2012: KD 965 thousand) extending beyond one accounting period. The amount of capital commitments may be reduced by participation of other investors.

	2013 KD '000	*2012 KD '000*
Operating lease rental commitments		
Future minimum lease payments:		
Within one year	**717**	638
Within one to five years	**1,003**	1,007
More than five year	**87**	92
	1,807	1,737

Contingent liabilities:

As at 31 December 2013, the Group had contingent liabilities in respect of warranty agreements amounting to KD 164 thousand (2012: KD 128 thousand) from which it is anticipated that no material liabilities will arise.

29 SEGMENT INFORMATION

For management purposes, the Group is organised into three main business segments based on internal reporting provided to the chief operating decision maker:

Manufacturing wood processing equipment - represents Group's activities in manufacturing equipments for wood processing and other related services.

Investments - represents Group's investment activities and other related services.

Others - represents other activities undertaken by the Group which includes management consultancy services and cleaning of heat exchangers.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss for wood processing and others segments and return on investment for investment segment.

Year ended 31 December 2013	***Manufacturing of wood processing equipment*** *KD '000*	***Investments*** *KD '000*	***Others*** *KD '000*	***Consolidated KD '000***
Revenue				
Total revenue	117,370	6,649	1,611	**125,630**
Result				
Segment profit	69,599	6,649	1,017	**77,265**
Interest income	141	148	1	**290**
Management fees	-	300	-	**300**
Other income	3,516	46	145	**3,707**
General and administrative expenses	(65,808)	(1,775)	(1,631)	**(69,214)**
Finance costs	(1,469)	(2,975)	(20)	**(4,464)**
Depreciation and amortisation (Note 11 & 12)	(8,716)	(24)	(59)	**(8,799)**
Foreign exchange loss	(715)	(78)	-	**(793)**
Impairment loss on financial assets available for sale (Note 14)	-	(1,528)	-	**(1,528)**
Impairment loss on impairment accounts receivable (Note 15)	(608)	(6)	-	**(614)**
Gain on extinguishment of a financial liability (Note 6)	-	3,354	-	**3,354**
Loss before taxation				**(496)**
Taxation				**(762)**
Loss for the year				**(1,258)**
Total assets	148,211	92,054	36,350	**276,615**
Total liabilities	69,367	62,142	874	**132,383**
Other segmental information:				
Investment in associates (Note 13)	-	12,763	-	**12,763**
Goodwill (Note 12)	34,242	-	-	**34,242**
Other intangible assets – indefinite life (Note 12)	10,788	-	-	**10,788**
Other intangible assets – definite life (Note 12)	43,480	-	965	**44,445**
Share of result of associates (Note 13)	-	1,440	-	**1,440**

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29 SEGMENT INFORMATION (continued)

Year ended 31 December 2012 *(restated)*	*Manufacturing of wood processing equipment KD '000*	*Investments KD '000*	*Others KD '000*	*Consolidated KD '000*
Revenue				
Total revenue *(restated)*	112,127	3,252	2,149	117,528
Result				
Segment profit *(restated)*	64,607	3,252	1,276	69,135
Interest income *(restated)*	368	77	67	512
Management fees *(restated)*	-	318	-	318
Other income *(restated)*	3,176	74	52	3,302
General and administrative expenses *(restated)*	(62,647)	(1,983)	(1,926)	(66,556)
Finance costs	(1,809)	(3,433)	(46)	(5,288)
Depreciation and amortisation (Note 11 & 12)	(8,688)	(37)	(193)	(8,918)
Foreign exchange loss	(660)	(34)	(14)	(708)
Impairment loss on financial assets available for sale (Note 14)	-	(667)	-	(667)
(Impairment loss) write back of impairment loss on accounts receivable (Note 15)	(428)	35	-	(393)
Loss before taxation *(restated)*				(9,263)
Taxation				(938)
Loss for the year *(restated)*				(10,201)
Total assets *(restated)*	142,185	90,591	36,154	268,930
Total liabilities *(restated)*	66,912	63,098	1,632	131,642
Other segmental information:				
Investment in associates (Note 13) *(restated)*	-	11,638	-	11,638
Goodwill (Note 12)	32,695	-	-	32,695
Other intangible assets – indefinite life (Note 12)	10,692	-	-	10,692
Other intangible assets – definite life (Note 12)	45,137	-	958	46,095
Share of result of associates (Note 13) *(restated)*	-	(50)	-	(50)

29 SEGMENT INFORMATION (continued)

Geographic information

The following tables present information regarding the Group's geographical segments:

Total revenue	2013 KD '000	2012 KD '000 (Restated)
Kuwait and Middle East	6,649	3,252
Europe	118,981	114,274
United States of America (USA)	-	2
	125,630	117,528

	2013 KD '000	2012 KD '000 (Restated)
Non-current assets		
Kuwait and Middle East	39,579	26,526
Europe	115,292	133,853
United States of America (USA)	141	141
	155,012	160,520

30 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined based on contractual maturity except for financial assets at fair value through profit or loss, financial assets available for sale, investment in associates, investment property, and property, plant and equipment which are based on management's estimate of liquidation / settlement of those assets.

The maturity profile of assets and liabilities at 31 December are as follows:

	0-3 months KD '000	*3-12 months KD '000*	***Total less than 1 year KD '000***	*More than 1 year KD '000*	***Total KD '000***
2013					
ASSETS					
Cash and bank balances	628	-	**628**	-	**628**
Money at call and short notice	35,070	-	**35,070**	-	**35,070**
Financial assets at fair value through profit or loss	-	41,190	**41,190**	-	**41,190**
Inventories	27,504	-	**27,504**	-	**27,504**
Accounts receivable and prepayments	1,903	15,308	**17,211**	1,669	**18,880**
Deferred tax assets	-	-	-	2,887	**2,887**
Financial assets available for sale	-	-	-	18,665	**18,665**
Investment in associates	-	-	-	12,763	**12,763**
Intangible assets	-	-	-	89,475	**89,475**
Investment property	-	-	-	141	**141**
Property, plant and equipment	-	-	-	29,412	**29,412**
	65,105	56,498	**121,603**	155,012	**276,615**
LIABILITIES					
Bank overdrafts	507	-	**507**	-	**507**
Accounts payable and other liabilities	59	22,763	**22,822**	7,238	**30,060**
Deferred tax liabilities	-	-	-	799	**799**
Other accruals	2,071	8,152	**10,223**	619	**10,842**
End of service benefits	-	-	-	20,436	**20,436**
Amount due to related parties	-	-	-	8,845	**8,845**
Borrowings	44,125	10,993	**55,118**	5,776	**60,894**
	46,762	41,908	**88,670**	43,713	**132,383**
Net liquidity gap	17,343	15,590	**32,933**	111,299	**144,232**

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30 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	0-3 months KD '000	*3-12 months KD '000*	*Total less than 1 year KD '000*	*More than 1 year KD '000*	*Total KD '000*
2012 *(restated)*					
ASSETS					
Cash and bank balances *(restated)*	564		564	-	564
Money at call and short notice	27,364	-	27,364	-	27,364
Financial assets at fair value through profit or loss *(restated)*	-	36,503	36,503	-	36,503
Inventories	24,680	-	24,680	-	24,680
Accounts receivable and prepayments *(restated)*	2,167	17,132	19,299	1,458	20,757
Deferred tax assets *(restated)*	-	-	-	3,272	3,272
Financial assets available for sale	-	-	-	24,704	24,704
Investment in associates *(restated)*	-	-	-	11,638	11,638
Intangible assets	-	-	-	89,482	89,482
Investment property	-	-	-	141	141
Property, plant and equipment	-	-	-	29,825	29,825
	54,775	53,635	108,410	160,520	268,930
LIABILITIES					
Bank overdrafts	639	-	639	-	639
Accounts payable and other liabilities	297	16,906	17,203	7,047	24,250
Deferred tax liabilities *(restated)*	-	-	-	1,045	1,045
Other accruals	-	8,108	8,108	904	9,012
End of service benefits *(restated)*	-	-	-	19,982	19,982
Amount due to related parties	-	-	-	8,372	8,372
Borrowings	30,593	10,800	41,393	26,949	68,342
	31,529	35,814	67,343	64,299	131,642
Net liquidity gap	23,246	17,821	41,067	96,221	137,288

31 FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

		Fair value measurement using		
31 December 2013	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	KD	*KD*		*KD*
Assets measured at fair value				
Financial assets available for sale				
- Quoted equity securities	**2,936**	2,936	-	-
- Unquoted managed funds	**9,778**	-	-	9,778
Financial assets at fair value through profit or loss	**41,190**	40,870	320	-

		Fair value measurement using		
31 December 2012	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	KD	*KD*		*KD*
Assets measured at fair value				
Financial assets available for sale				
- Quoted equity Securities	7,970	7,970	-	-
- Unquoted managed Funds	8,518	-	-	8,518
Financial assets at fair value through profit or loss	36,503	36,236	267	-

The management assessed that financial assets and financial liabilities other than those disclosed above approximate their carrying amounts largely due to the short-term maturities of those instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The impact on the consolidated statement of financial position or the consolidated statement of shareholders' equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

During the year ended 31 December 2013, there were no transfers between Level 1 and Level 2 financial instruments, and no transfers into and out of Level 3 financial instruments.

31 FAIR VALUE MEASUREMENT (continued)

Movement in the Level 3 financial instruments is as follows.

	As at 1 January	*Gain recorded in income statement for the year*	*Gain recorded in other comprehensive income*	*Net purchases, sales and settlements*	*Impairment recorded during the year*	*As at 31 December*
	KD '000	*KD '000*	*KD '000*	*KD '000*	*KD '000*	*KD '000*
Financial assets available for sale – unquoted investments						
2013	**8,518**	**462**	**1,006**	**(146)**	**(62)**	**9,778**
2012	7,678	300	1,040	(399)	(101)	8,518

32 RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

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

The Group is exposed to credit risk, liquidity risk, market risk, prepayment risk and operational risk. Market risk is subdivided into interest rate risk, foreign currency risk and equity price risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process. There is no change in the risk management objectives and policies as compared to previous year.

32.1 Credit risk

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

With respect to credit risk arising from the other financial assets of the Group, which comprise bank balances and other assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Maximum exposure to credit risk

The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. The Group bears credit risk on bank balances and accounts receivables.

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks, and with respect to customers by monitoring outstanding receivables on an on-going basis.

32 RISK MANAGEMENT (continued)

32.1 Credit risk (continued)

The Group's exposure to credit risk is limited to the carrying amounts of the following financial assets at the reporting date:

	2013	*2012*
	KD '000	*KD '000*
		(Restated)
Bank balances	**536**	562
Money at call and short notice	**35,070**	27,364
Accounts receivables	**18,841**	20,347
Gross maximum credit exposure	**54,447**	48,273

Risk concentration of maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group's gross maximum exposure to credit risk, before taking into account any collateral held or credit enhancements, can be analysed by the geographical regions and industry sectors as follows:

31 December 2013	***Kuwait and other Middle East countries***	***Europe***	***USA***	***Total***
	KD '000	***KD '000***	***KD '000***	***KD '000***
Bank balances	536	-	-	**536**
Money at call and short notice	16,616	18,443	11	**35,070**
Accounts receivable and prepayments	714	18,013	114	**18,841**
	17,866	**36,456**	**125**	**54,447**

31 December 2012	*Kuwait and other Middle East countries*	*Europe*	*USA*	*Total*
	KD '000	*KD '000*	*KD '000*	*KD '000*
	(Restated)			*(Restated)*
Bank balances	562	-	-	562
Money at call and short notice	14,189	13,165	10	27,364
Accounts receivable	2,146	18,177	24	20,347
	16,897	31,342	34	48,273

32 RISK MANAGEMENT (continued)

32.1 Credit risk (continued)

31 December 2013	***Trading and manufacturing***	***Banks and financial institutions***	***Others***	***Total***
	KD '000	***KD '000***	***KD '000***	***KD '000***
Bank balances	-	509	27	**536**
Money at call and short notice	18,318	16,595	157	**35,070**
Accounts receivable	17,778	623	440	**18,841**
	36,096	**17,727**	**624**	**54,447**

31 December 2012	*Trading and manufacturing*	*Banks and financial institutions*	*Others*	*Total*
	KD '000	*KD '000*	*KD '000*	*KD '000*
		(Restated)	*(Restated)*	*(Restated)*
Bank balances	-	539	23	562
Money at call and short notice	13,090	14,167	107	27,364
Accounts receivable	17,299	1,967	1,081	20,347
	30,389	16,673	1,211	48,273

Collateral and other credit enhancements

No collaterals are obtained in respect of trade accounts receivable.

32.2 Liquidity risk

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

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

32 RISK MANAGEMENT (continued)

32.2 Liquidity risk (continued)

31 December 2013	***Within 3 months*** ***KD '000***	***3 to 12 months*** ***KD '000***	***Over 1 year*** ***KD '000***	***2013 Total*** ***KD '000***
Bank overdrafts	507	-	-	**507**
Accounts payable and accruals	59	22,763	7,238	**30,060**
Borrowings	44,491	11,596	6,255	**62,342**
Deferred tax liabilities	-	-	799	**799**
Amounts due to related parties	-	-	8,845	**8,845**
Other accruals	2,071	8,152	619	**10,842**
	47,128	**42,511**	**44,192**	**133,831**
Capital commitments	**176**	**303**	**1,027**	**1,506**

31 December 2012	*Within 3 months* *KD '000* *(Restated)*	*3 to 12 months* *KD '000* *(Restated)*	*Over 1 year* *KD '000* *(Restated)*	*2012 Total* *KD '000* *(Restated)*
Bank overdrafts	639	-	-	639
Accounts payable and other liabilities	297	16,906	7,047	24,250
Borrowings	30,990	11,550	29,719	72,259
Deferred tax liabilities	-	-	1,045	1,045
Amounts due to related parties	-	-	8,372	8,372
Other accruals	-	8,108	904	9,012
	31,926	36,564	67,069	135,559
Capital commitments	167	619	1,576	2,362

32 RISK MANAGEMENT (continued)

32.3 Market risk

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

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

32.3.1 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. The Group operates in the Kuwait and other Middle Eastern countries, Europe, United States of America and China and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to Euro and US Dollar. The Group's consolidated financial position can be significantly affected by the movement in the KD/Euro exchange rates.

To mitigate the Group's exposure to foreign currency risk, management works on maintaining a balanced exposure of assets and liabilities by currency to minimize fluctuations in accordance with the Group's risks management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken.

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

	2013	*2012*
	KD '000	***KD '000***
Euro	**179,221**	201,483
US Dollar	**6,292**	3,346

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

The foreign currency risk sensitivity analysis below calculates the effect of a reasonably possible movement of the currency exchange rate against the KD, with all other variables held constant, on the results and other comprehensive income of the Group.

2013

Currency	**Change in currency rate in % against KD**	**Effect on results KD '000**	**Effect on other comprehensive income KD '000**
Euro	5%	(11)	(8,950)
US Dollar	5%	(179)	(135)

32 RISK MANAGEMENT (continued)

32.3 Market risk (continued)

32.3.1 Foreign currency risk (continued)

2012

Currency	Change in currency rate in % against KD	Effect on results KD '000	Effect on other comprehensive income KD '000
Euro	5%	(7)	(10,067)
US Dollar	5%	(34)	(133)

The effect of other foreign currencies is not significant to the Group's consolidated financial statements.

If the KD weakens against the foreign currencies with all other variables being constant then this would have the opposite impact on the results for the year and other comprehensive income.

32.3.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in interest rates.

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the underlying financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprice in a given period. The management has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities which include bank balances, money at call and short notice and bank borrowings.

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates, with all other variables held constant.

	Increase in basis points	***Effect on results***	
		2013 KD '000	*2012 KD '000*
Euro	+45	**(21)**	(22)
Kuwaiti Dinar	+50	**(276)**	(300)
US Dollar	+60	**5**	(20)

The effect of decrease in the basis points on the results will be symmetric to the effect of increase in the basis points.

32.3.3 Equity Price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Parent Company. The unquoted equity price risk exposure arises from the Group's investment portfolio. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration.

32 RISK MANAGEMENT (continued)

32.3 Market risk (continued)

32.3.3 Equity Price risk (continued)

The effect on results and other comprehensive income as a result of a change in the fair value of the equity instruments held as financial assets at fair value through profit or loss and financial assets available for sale at 31 December 2013 due to a reasonable possible change in the equity indices, with all other variables held as constant is as follows:

		2013		*2012*	
Market indices	***Changes in equity price %***	***Effect on results KD '000***	***Effect on other comprehensive income KD '000***	*Effect on results KD '000*	*Effect on other comprehensive income KD '000*
Kuwait Index	5%	**(87)**	**(235)**	(48)	(634)
Other GCC Indices	5%	**(13)**	**-**	(13)	-

Sensitivity to equity price movements will be on a symmetric basis as financial instruments giving rise to non-symmetric movements are not significant.

32.4 Prepayment risk

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

32.5 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

33 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may review the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by net capital attributable to shareholders of the Parent Company plus net debt. The Group includes within net debt, borrowings less cash and cash equivalents. Net capital includes equity attributable to the shareholders of the Parent Company less cumulative changes in fair values.

33 CAPITAL MANAGEMENT (continued)

The capital structure of the Group consists of the following:

	2013 ***KD '000***	*2012* *KD '000* *(Restated)*
Borrowings	**60,894**	68,342
Cash and cash equivalents	**(35,191)**	(27,289)
Net debt	**25,703**	41,053
Equity attributable to the shareholders of the Parent Company	**54,416**	50,299
Cumulative changes in fair value	**(2,051)**	95
Net capital attributable to the shareholders of the Parent Company	**52,365**	50,394
Net capital and net debt	**78,068**	91,447
Gearing ratio	**33%**	45%

34 EFFECT OF ADOPTION OF IFRS 10

The adoption of IFRS 10, described in Note 2 above, resulted in changes in the consolidated financial statements of the Group given in the tables below, as the Group assessed that it exercises control over CIF due to the following factors.

The Group is the fund manager for CIF and has wide ranging discretionary decision making powers that give the Group the current ability to direct the relevant activities of the fund that are substantive in nature. In addition, the Group has 33% direct interest in CIF and is entitled to receive management fee and an incentive fee after a hurdle rate is reached. Further, in accordance with the article of association of CIF, the fund manager can be removed only for cause.

Accordingly, the Group has consolidated the financial statements of CIF based on its 33% equity interest and accounted for the balance of 67%, as non-controlling interests. The assets, liabilities and equity of CIF have been retrospectively consolidated in the financial statements of the Group. Non-controlling interests have been recognised at a proportionate share of the net assets of CIF. The opening balances at 1 January 2012 and comparative information for year ended 31 December 2012 have been restated in the consolidated financial statements. The quantitative impact on the financial statements is provided below:

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34 EFFECT OF ADOPTION OF IFRS 10 (continued)

	31 December 2012 KD 000's	*1 January 2012 KD 000's*
Impact on the consolidated statement of financial position:		
(Decrease) increase in assets:		
Non-current assets		
Investment in associates	(13,892)	(13,265)
Current assets		
Financial assets at fair value through profit or loss	35,190	35,404
Accounts receivable and prepayments	(101)	(92)
Cash and bank balances	6,800	4,699
Net increase in assets	27,997	26,746
Increase in liabilities:		
Current liabilities		
Accounts payable and other liabilities	49	59
Other accruals	2	2
Net increase in liabilities	51	61
Increase in equity:		
Non-controlling interests	27,946	26,685
Net increase in equity	27,946	26,685
Net increase in liabilities and equity	27,997	26,746

As a result of adoption of IFRS 10, the equity as of 1 January 2012 has also been restated and resulted in increase in non-controlling interests by KD 26,685 thousands.

34 EFFECT OF ADOPTION OF IFRS 10 (continued)

Impact on the consolidated income statement:	*Year ended 31 December 2012 KD 000's*
Increase (decrease) in income	
Net investment income	889
Share of results of associates	(627)
Dividend income	1,391
Management fees	(404)
Interest income	72
Net increase in income	1,321
Increase in expenses:	
General and administrative expenses	(60)
Net decrease in expenses	(60)
Net increase in profit for the period	1,261
Net increase in non-controlling interests	1,261

The transition did not have impact on the OCI for the period.

Impact on the consolidated statement of cash flows:	*Year ended 31 December 2012 KD 000's*
Net increase in operating activities	2,104
Net increase in cash and cash equivalents	2,104

There is no impact on the basic and diluted loss per share attributable to the equity holders of the Parent Company.