شركة الساحل للتنمية والاستثمار ش.م.ك.ع

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

ANNUAL REPORT 2014

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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

Anwar Jassim Al-Kharafi
Board Member

Bader Mohammad Al-Qattan
Board Member

Abdulhadi Ahmad Al-Dousari
Board Member

Bader Yousef Al-Ghanim
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.

It's a great pleasure for me and my colleagues, the Board members, to welcome you to the Annual General meeting and to provide you with the annual report of Coast Investment and Development Company for the financial year ending 31 December 2014.

The global economy continued to grow during 2014 at a better pace than the previous year, where GDP has increased by 3.3% compared to 2.8% in 2013. Despite this growth, it was below the level of expectations that prevailed at the beginning of the year. The rise of oil prices at the first half of the year and the political and geographical unrest that prevailed in different areas of the world had a direct impact on the weakness of the global economy. The United States of America has witnessed a relative improvement, achieving better growth rates than Eurozone Economies, which suffered a stunted growth during the year. While the US GDP grew by 2.4% in 2014, the growth rate in the Eurozone was modest at 0.8% which reflects a state of imbalance and disparity at the pace of recovery in the advanced economies.

On the regional level, the GCC economies, have faced regional political incidents and security tensions casting a shadow on the level of economic and investment activity. While the continued rise of oil prices in the first half of the year has encouraged some of the GCC countries to increase their expenditure levels on development projects, which in turn reflected positively on the activity in some of gulf stock markets. However, this activity didn't last for the long term, where the decline of oil prices at the end of the year has led to a sharp setback in these markets losing most of the gains made at the beginning of the year.

On the local level, despite the slowdown of economic growth compared to the rest of GCC countries, there is a noted increase in the pace of implementation of projects and capital spending. Yet, still remains below the desired level that would have a clear impact on the economic activity with its different sectors.

Despite the steep decline in the sale price of Kuwaiti crude oil, it is expected that the state's budget would achieve a financial surplus in the region of KD 8 Billions. The government has confirmed the continuation of the implementation of the five-year development plan, which renews hope in the return of economic activity, which is long awaited.

The performance of the Kuwait Stock Exchange was positive until the end of the third quarter of 2014, and the weighted index has achieved gains of 9% since the beginning of the year, but the decline of oil prices at the end of the year led to sharp setbacks in all the GCC stock markets where they have all lost the gains made during the year. The KSE weighted index ended the year at a low level of -3.1%, and the price index at -13.4%. The market capitalization of the KSE has lost more than KD 250 Millions, to reach KD 29.5 Billions, with a decline in trading volumes compared to the previous year.

Dear Shareholders

More than 6 years have lapsed since the start of the global economic crisis, during which the markets didn't recover completely, but thanks to God, and in spite of these challenges, our company has managed to achieve positive results this past year. Besides the significant improvement in the growth of revenues from external investments, the company has, after several years of prolonged negotiations, settled all of its debts with all creditor banks. The company has signed two agreements, based on which it has settled the entire balance of loans amounting to KD 60.356 Millions, through a cash payment and assignment of listed and unlisted assets with a total carrying value of KD 40.524 Millions. As a result the company has reduced the size of investments and assets in line with the prevailing economic conditions, as well as relief from debt settlement and repayment of installments and benefits in light of weak revenues and low returns in recent and upcoming years.

These achievements have reflected positively on the company's financial statements for the year 2014, where the company has achieved net profits amounting to KD 9.7 Millions. with a profitability of 17 fils per share. The consolidated assets amounted to KD 194 Millions, with a decrease of 30%, and shareholders' equity of KD 63 Millions, with an increase of 15.8% from the previous year.

In conclusion, I'd like to extend my sincere gratitude and appreciation to the shareholders of the company for their continued confidence and support, and to the Board of Directors and all the personnel therein.

Best wishes,

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 2014

Ernst & Young
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Dr. Saud Hamad Al-Humaidi & Partners
Public Accountants

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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 2014, 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 auditor considers 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 entity'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.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, 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 and its executive regulation, 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 and its executive regulation, as amended nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2014 that might have had a material effect on the business of the Parent Company or on its 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 2014 that might have had a material effect on the business of the Parent Company or on its 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

30 March 2015
Kuwait

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Notes	2014 KD'000	2013 KD'000
Continuing operations			
Revenues	3	**125,430**	118,981
Cost of materials	4	**(52,078)**	(48,365)
Net investment income (loss)	5	**901**	(809)
Management fees		**367**	300
Interest income		**249**	239
Dividend income	14 & 17	**317**	1,260
Other income	6	**4,327**	3,707
Gain on extinguishment of financial liabilities	8	**19,832**	3,354
Share of results of associates	13	**394**	1,440
Loss on sale of associates	8	**(1,317)**	(84)
Impairment loss on accounts receivable	15	**(419)**	(614)
Impairment loss on financial assets available for sale	14	**(85)**	(1,528)
General and administrative expenses	7	**(77,141)**	(69,202)
Depreciation	11	**(2,714)**	(3,044)
Amortisation	12	**(5,812)**	(5,755)
Impairment on intangible assets	12	**(188)**	-
Finance costs		**(3,011)**	(4,402)
Foreign exchange gain (loss)		**397**	(793)
Profit (loss) for the year from continuing operations before taxation		**9,449**	(5,315)
Taxation	9	**(2,591)**	(762)
Profit (loss) for the year from continuing operations		**6,858**	(6,077)
Profit for the year from discontinued operations	8	**4,980**	4,819
Profit (loss) for the year		**11,838**	(1,258)
Attributable to:			
Shareholders of the Parent Company		**9,697**	(876)
Non-controlling interests		**2,141**	(382)
		11,838	(1,258)
Basic and diluted earnings (loss) per share attributable to shareholders of the Parent Company	10	**17 fils**	(2) fils
Basic and diluted earnings (loss) per share from continuing operations attributable to shareholders of the Parent Company	10	**14 fils**	(4) fils

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Note	**2014** **KD' 000**	2013 KD' 000
Profit (loss) for the year		**11,838**	(1,258)
Other comprehensive income			
Other comprehensive income (loss) for the year to be reclassified to income statement in subsequent periods:			
Net change in fair value of financial assets available for sale		**585**	2,157
Share of other comprehensive loss of associates		**43**	(11)
Exchange difference on translation of foreign operations		**(10,398)**	5,322
Net other comprehensive (loss) income to be reclassified to income statement in subsequent periods		**(9,770)**	7,468
Other comprehensive income (loss) for the year not to be reclassified to income statement in subsequent periods income statement in subsequent periods:			
Re-measurement gains on defined benefit plans	23	**(4,059)**	826
Deferred tax gain (loss)		**1,119**	(228)
Net other comprehensive (loss) income not to be reclassified to income statement in subsequent periods		**(2,940)**	598
Other comprehensive (loss) income for the year		**(12,710)**	8,066
Total comprehensive (loss) income for the year		**(872)**	6,808
Attributable to:			
Shareholders of the Parent Company		**7,133**	3,981
Non-controlling interests		**(8,005)**	2,827
Total comprehensive (loss) income for the year		**(872)**	6,808

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Notes	2014 KD' 000	2013 KD' 000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**24,791**	29,412
Investment property		**146**	141
Intangible assets	12	**78,233**	89,475
Investment in associates	13	**2,446**	12,763
Financial assets available for sale	14	**13,623**	18,665
Accounts receivable and prepayments	15	**1,503**	1,669
Deferred tax assets	16	**3,816**	2,887
		124,558	155,012
Current assets			
Financial assets at fair value through income statement	17	**433**	41,190
Accounts receivable and prepayments	15	**15,034**	17,211
Inventories	18	**26,536**	27,504
Cash and bank balances	19	**490**	628
Money at call and short notice	19	**26,523**	35,070
		69,016	121,603
TOTAL ASSETS		**193,574**	276,615
EQUITY AND LIABILITIES			
Equity			
Share capital	20	**62,529**	62,529
Statutory reserve	20	**11,647**	11,647
Voluntary reserve	20	**1,991**	1,991
Treasury shares	20	**(5,683)**	(7,146)
Treasury shares reserve		**493**	493
Other reserve	20	**1,403**	2,579
Foreign currency translation reserve		**1,322**	3,338
Cumulative changes in fair value		**2,679**	2,051
Accumulated losses		**(13,369)**	(23,066)

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

For the year ended 31 December 2014

Equity attributable to shareholders of the Parent Company		**63,012**	54,416
Non-controlling interests	21	**48,982**	89,816
Total equity		**111,994**	144,232
Liabilities			
Non-current liabilities			
Borrowings	8 & 22	**262**	5,776
End of service benefits	23	**22,500**	20,436
Accounts payable and other liabilities	24	**6,373**	7,238
Amount due to related parties	25	**7,937**	8,845
Other accruals	26	**864**	619
Deferred tax liabilities	16	**1,182**	799
		39,118	43,713
Current liabilities			
Bank overdrafts	19	**78**	507
Borrowings	8 & 22	**3,777**	55,118
Accounts payable and other liabilities	24	**20,037**	22,822
Amount due to a related party	25	**1,750**	-
Other accruals	26	**16,820**	10,223
		42,462	88,670
Total liabilities		**81,580**	132,383
TOTAL EQUITY AND LIABILITIES		**193,574**	276,615

Sulaiman K. Al-Sahli
Chairman

Khaled A. Al-Usaimi
Vice Chairman & CEO

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2014

	Attributable to shareholders of the Parent Company											
	Share capital	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Other reserve	Foreign currency translation reserve	Cumulative changes in fair values	Accumulated losses	Sub total	Non-controlling interests	Total
	KD '000	*KD '000*	*KD '000*	*KD '000*	*KD '000*	*KD 000*	*KD '000*	*KD '000*	*KD '000*	*KD '000*	*KD '000*	*KD '000*
As at 1 January 2014	62,529	11,647	1,991	(7,146)	493	2,579	3,338	2,051	(23,066)	54,416	89,816	144,232
Profit for the year	-	-	-	-	-	-	-	-	9,697	9,697	2,141	11,838
Other comprehensive (loss) income for the year	-	-	-	-	-	(1,176)	(2,016)	628	-	(2,564)	(10,146)	(12,710)
Total comprehensive (loss) income for the year	-	-	-	-	-	(1,176)	(2,016)	628	9,697	7,133	(8,005)	(872)
Sale of treasury shares (Note 8 & 20)	-	-	-	1,463	-	-	-	-	-	1,463	-	1,463
Loss of control of a Subsidiary (Note 8 & 21)	-	-	-	-	-	-	-	-	-	-	(32,829)	(32,829)
As at 31 December 2014	**62,529**	**11,647**	**1,991**	**(5,683)**	**493**	**1,403**	**1,322**	**2,679**	**(13,369)**	**63,012**	**48,982**	**111,994**
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

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
As at 31 December 2014

	Notes	2014 KD' 000	2013 KD' 000
OPERATING ACTIVITIES			
Profit (loss) for the year from continuing operations		**6,858**	(6,077)
Profit for the year from discontinued operations		**4,980**	4,819
		11,838	(1,258)
Adjustments for:			
Unrealised and realised gain on financial assets at fair value through income statement	5	**(58)**	(4,619)
Share of results of associates	13	**(394)**	(1,440)
Gain on extinguishment of financial liabilities	8	**(19,832)**	(3,354)
Loss on sale of investments in associates		**1,317**	84
Net gain on sale of financial assets available for sale		**(843)**	-
Interest income		**(249)**	(290)
Dividend income	14 & 17	**(317)**	(2,464)
Depreciation and amortisation	11 & 12	**8,526**	8,799
Impairment loss on accounts receivable		**419**	614
Impairment loss on financial assets available for sale	14	**85**	1,528
Impairment loss on intangible assets		**188**	-
Provision for a legal dispute	26	**8,544**	-
Finance costs		**3,011**	4,464
End of service benefits	23	**4,333**	496
Taxation	9	**2,745**	762
		19,313	3,322
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		**(4,011)**	1,052
Accounts receivable and prepayments		**2,071**	1,263
Inventories		**968**	(2,824)
Accounts payable and other liabilities		**(7,056)**	672
Other accruals		**(1,701)**	1,830
Amount due to related parties		**842**	473

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

As at 31 December 2014

	Notes	2014 KD' 000	2013 KD' 000
End of service benefits paid	23	**(803)**	(993)
Net cash from operating activities		**9,623**	4,795
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	**(2,710)**	(1,476)
Proceeds from sale of property, plant and equipment	11	**2,607**	-
Purchase of intangible assets	12	**(2,193)**	(1,695)
Proceeds from sale of intangible assets	12	**37**	-
Proceeds from redemption of investment in associates	13	**-**	91
Dividend received from associates	13	**540**	335
Proceeds on sale of financial assets available for sale		**2,098**	2,290
Dividend income received		**317**	1,260
Interest income received		**89**	290
Net cash outflow on loss of control of a subsidiary		**(7,293)**	-
Net cash (used in) from investing activities		**(6,508)**	1,095
FINANCING ACTIVITIES			
Sale of treasury shares		**-**	220
Addition on borrowings		**589**	-
Repayment of borrowings		**(5,697)**	-
Finance costs paid		**(1,599)**	-
Net cash (used in) from financing activities		**(6,707)**	220
Net foreign exchange differences		**(4,664)**	1,792
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(8,256)**	7,902
Cash and cash equivalents at 1 January	19	**35,191**	27,289
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	19	**26,935**	35,191

The attached notes 1 to 32 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2014

1 INCORPORATION AND ACTIVITIES

Coast Investment & Development Company K.S.C.P. (the "Parent Company") is a public 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 P.O. Box 26755, Safat 13128, State of Kuwait.

The Parent Company's shares are listed on the Kuwait Stock Exchange and regulated by Capital Markets Authority ("CMA")

The consolidated financial statements of the Parent Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 30 March 2015, 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 activities of the Parent Company are carried out in accordance with Articles of Association. The principal activities of the Parent Company are:-

a) To carry out all operations relating to securities, including sale and purchase of 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) To establish and manage investment funds for its own account and for the account of others, offering its units for subscription and undertaking 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) To carry out the duties related to the functions of lead managers and investment custodians of bonds issued by companies or authorities.

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) as adopted for use by State of Kuwait.

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 income statement, financial assets available for sale and investment property.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is the functional and presentational 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 and interpretation during the year:

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

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has no derivatives during the current or prior periods.

IFRIC 21 Levies

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. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Annual improvements for 2010-2012 and 2011-2013 cycle which are effective from 1 July 2014 are not expected to have a material impact on the Group.

Standards issued but not yet effective

The standards and interpretations those are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9: Financial Instruments

The IASB issued IFRS 9 in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification

and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Group is in the process of quantifying the impact of this standard on the Group's consolidated financial statements, when adopted.

IFRS 15: Revenue from Contracts with customers

IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 Construction contracts and IAS 18 Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect of IFRS 15 on the Group and do not expect any significant impact on adoption of this standard.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. The amendment will impact the net benefit expense as the contributions will be reduced from the service costs.

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 2014. 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 other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income 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 loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The subsidiaries of the Group are as follows:

Name of the company	Country of incorporation	Effective equity interest		Principal activity
		2014	*2013*	
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")	United States of America	**100%**	100%	Investment services
Lujain Group of Economic & Management Consultancy W.L.L ("Lujain")	Kuwait	**51%**	51%	Management consultancy
Coast Investment Fund ("CIF")*	Kuwait	**-**	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

* During the year, the Parent Company has lost its ability to control CIF pursuant to a debt settlement agreement with certain local financial institutions (Note 8). As a result of the settlement, the Group's ownership percentage was reduced from 33.21% to 5.12%, and the retained share of its investment in CIF has been accounted at its fair value under financial assets available for sale in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

** The Parent Company holds direct equity interest of 12.37% (2013:12.37%) and indirect equity interest of 52% (2013: 52%) through KGH resulting in effective equity interest of 39.9% (2013: 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% (2013: 29.22%) at Parent Company level.

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

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 (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 certain 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.

Taxation

a. 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.

b. 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.

c. 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 Instruments

Financial assets

Initial recognition and measurement

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

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

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 assets carried at fair value through income statement and financial assets available for sale.

Subsequent measurement

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

Financial assets at fair value through income statement

Financial assets at fair value through income statement include financial assets held for trading and financial assets designated upon initial recognition at fair value through income statement. 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 income statement 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 income statement 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 other comprehensive income 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.

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 ; and
- 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 EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

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 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 other comprehensive income 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 other comprehensive income.

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:

Accounts payable

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

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.

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

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) in 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 consolidated 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.

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 investment properties, fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standard Committee.

For assets and liabilities that are recognised in the consolidated 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.

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, 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.

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 patent rights 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

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 other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in other comprehensive income. 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 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.

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.

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'

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 other comprehensive income in the period in which they occur. Re-measurements are not reclassified to income statement 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 and the re-measurements comprising of actuarial gains and losses and return on plan assets for defined benefit plans.

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 other comprehensive income, 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 other comprehensive income. 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.

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 consolidated statement of financial position date are disclosed as an event after the statement of financial position date.

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.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated income statement.

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. 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.

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.

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.

Valuation of investment properties and leasehold property under development

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated income statement. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2014 for investment properties. For investment properties, a valuation methodology based on a discounted cash flow (DCF) model is used, as there is a lack of comparable market data because of the nature of the properties.

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 recognized

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

	2014 KD '000	2013 KD '000
Sale of wood processing machines	**86,490**	81,997
Sale of tools	**23,186**	22,935
Rendering of services	**7,419**	6,086
Own works capitalised	**2,168**	2,226
Other sales	**6,167**	5,737
	125,430	118,981

4 COST OF MATERIALS

	2014 KD '000	2013 KD '000
Raw materials, consumables and supplies and purchased merchandise	**46,530**	42,634
Purchased services	**5,548**	5,731
	52,078	48,365

5 NET INVESTMENT INCOME (LOSS)

	2014 KD '000	2013 KD '000
Realised gain on financial assets at fair value through income statement	**1**	-
Unrealised gain on financial assets at fair value through income statement	**57**	969
Net gain (loss) on sale of financial assets available for sale	**843**	(1,778)
	901	(809)

6 OTHER INCOME

	2014 KD '000	2013 KD '000
Utilisation of accruals	**662**	1,170
Gain on disposal of assets and scrap	**1,639**	868
Income from damages	**677**	773
Other income	**1,349**	896
	4,327	3,707

7 GENERAL AND ADMINISTRATIVE EXPENSES

	2014 KD '000	*2013 KD '000*
Wages and salaries	**39,319**	39,190
Social security and other pension costs	**8,535**	8,356
Commission expenses	**5,107**	4,762
Travel and transportation expenses	**4,949**	4,757
Marketing expenses	**2,171**	2,237
Consultancy expenses	**1,127**	1,565
Maintenance expenses	**1,540**	1,363
Rental expenses	**1,285**	1,011
Utility expenses	**866**	997
Insurance expenses	**455**	570
Provision of legal claim (Note 26)	**8,544**	-
Other expenses	**3,243**	4,394
	77,141	69,202

8 GAIN ON EXTINGUISHMENT OF A FINANCIAL LIABILITIES

During the year, the Parent Company had successfully signed two debt settlement agreements with certain local financial institutions (the "lenders"). Details of the settlement agreements are as follow:

1) On 7 July 2014, the Parent Company has signed a debt settlement agreement with one of the lenders. Based on the terms of this agreement, the Group had settled the entire obligation due to the lender amounting to KD 14,762 thousand for a discount resulting in a gain of KD 7,512 thousand. This gain is recorded under "Gain on extinguishment of financial liabilities" in the consolidated income statement in accordance with IAS 39 - Financial Instruments: Recognition and Measurement.

2) On 25 September 2014, the Parent Company had signed a debt to asset settlement agreement with various lenders which comprises of three local financial institutions. Under the settlement agreement, the parties agreed to transfer certain assets of the Group to the lenders on settlement of its borrowings. As a result of this agreement, the Group recognised a gain on extinguishment of financial liabilities of KD 12,320 thousands in the consolidated income statement in accordance with IAS 39 - Financial Instruments: Recognition and Measurement and a loss of KD 1,216 thousands on de-recognition of certain financial assets relating to the debt settlement. The financial impact of the above on the Group's consolidated financial statements for the year ended 31 December 2014 are as follows:

(i) De-recognition of certain financial liabilities:

- The Group had liabilities amounting to KD 45,594 thousands towards these lenders. Under the terms of the settlement agreements, these lenders have agreed to settle these dues for a reduced amount of KD 33,274 thousands. Accordingly, the Parent Company has recorded a net gain of KD 12,320 thousands from the de-recognition of amounts due to these creditors, in accordance with *IAS 39 - Financial Instruments: Recognition and Measurement*, under "Gain on extinguishment of financial liabilities" in the consolidated income statement.

(ii) *De-recognition of certain assets:*

- The Parent Company transferred certain assets with a carrying value of KD 34,490 thousand and a fair value of KD 33,274 thousand to the lenders on settlement of the above mentioned liabilities. The transferred assets are classified in the consolidated statement of financial position under "financial assets available for sale", "financial assets at fair value through profit or loss", "investment in associates", "investment in subsidiary" and "treasury shares" (together referred as "transferred assets"). Based on the terms of the settlement agreement, the transferred assets were agreed to be distributed between the lenders in proportion to their share of the total borrowings.

- Upon de-recognition of the transferred assets, the Group realised a loss on sale of investment in associates of KD 1,317 thousand and a loss on sale of financial assets available for sale of KD 101 thousand representing the difference between the carrying values and fair values of assets at the date of transfer. Realised gains and losses on sale of transferred to financial asset available for sale are included within "Net investment income" in the consolidated income statement for the year ended 31 December 2014.

- Upon de-recognition of financial assets available for sale, the corresponding cumulative changes in fair values balance (loss of KD 1,166 thousand) was recycled to the consolidated income statement within "Loss on sale of associates".

- The Group had partially transferred 28.09% of its holding in its subsidiary ("Coast Investment Fund" or "CIF") to its lenders. As a result, the Group's ownership in CIF was diluted from 33.21% to 5.12% and hence the management of the Parent Company lost its ability to control CIF. As at 31 December 2014, the Parent Company has accounted for the retained share of CIF at its fair value under financial assets available for sale in accordance with *IAS 39 Financial Instruments: Recognition and Measurement*. The results of CIF for the year ended 31 December 2014 and 2013 are presented below:

	2014	*2013*
	KD '000	*KD '000*
Income	5,185	4,893
Expenses	(205)	(74)
Profit from discontinued operation	**4,980**	4,819
Attributable to:		
Shareholders of the Parent Company	1,653	1,600
Non-controlling interests	3,327	3,219
	4,980	4,819

3) During the previous 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

	2014	*2013*
	KD '000	*KD '000*
Taxation from continuing operations		
NLST	**78**	-
Zakat	**92**	-
Taxation arising from overseas subsidiary companies	**2,421**	762
	2,591	762
Taxation from discontinued operations		
NLST	**154**	-

Components of taxation arising from overseas subsidiaries are as follows:

	2014	*2013*
	KD '000	*KD '000*
Current tax	**2,024**	674
Deferred tax (Note 16)	**397**	88
	2,421	762

The tax rate applicable to the taxable subsidiaries is in the range of 14 % to 39 % (2013: 14% to 39%). The weighted average applicable tax rate for the year ended 31 December 2014 is 28% (2013: 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 EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share is calculated by dividing the profit (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.

	2014	*2013*
	KD '000	*KD '000*
Profit (loss) for the year attributable to shareholders of the Parent Company	**9,697**	(876)
	Shares	Shares
Weighted average number of outstanding shares	**625,293,152**	625,293,152
Less: Weighted average number of treasury shares	**(57,889,016)**	(61,742,468)
Weighted average number of outstanding shares	**567,404,136**	563,550,684
Basic and diluted earnings (loss) per share attributable to the shareholders of the Parent Company	**17 fils**	(2) fils

Basic and diluted earnings (loss) per share from continuing operations	***2014***	*2013*
	KD '000	*KD '000*
Profit (loss) for the year attributable to shareholders of the Parent Company	**9,697**	(876)
Less:		
Profit for the year from discontinued operations attributable to shareholders of the Parent Company	**(1,653)**	(1,600)
Profit (loss) for the year from continuing operations attributable to shareholders of the Parent Company	**8,044**	(2,476)
	Shares	Shares
Weighted average number of outstanding shares	**625,293,152**	625,293,152
Less: Weighted average number of treasury shares	**(57,889,016)**	(61,742,468)
Weighted average number of shares	**567,404,136**	563,550,684
Basic and diluted earnings (loss) per share attributable to shareholders of the Parent Company	**14 fils**	(4) fils

As there are no dilutive instruments outstanding, basic and dilutive earnings (loss) per share are identical.

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 2014	1,053	24,678	5,258	5,875	36,864
Additions	-	152	934	1,624	2,710
Disposals	-	(2,267)	(442)	(777)	(3,486)
Exchange adjustment	-	(1,599)	(534)	(54)	(2,187)
As at 31 December 2014	**1,053**	**20,964**	**5,216**	**6,668**	**33,901**
Accumulated depreciation:					
As at 1 January 2014	-	(2,272)	(2,152)	(3,028)	(7,452)
Charge for the year	-	(826)	(753)	(1,135)	(2,714)
Disposals	-	321	165	393	879
Exchange adjustment	-	24	10	143	177
As at 31 December 2014	**-**	**(2,753)**	**(2,730)**	**(3,627)**	**(9,110)**
Net carrying amount:					
As at 31 December 2014	**1,053**	**18,211**	**2,486**	**3,041**	**24,791**

	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

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 2014	34,242	10,788	13,130	26,210	18,901	69,029	103,271
Additions	-	-	2,193	-	-	2,193	2,193
Disposals	-	-	(135)	-	-	(135)	(135)
Exchange adjustment	(2,910)	(1,057)	(1,353)	(2,058)	(1,587)	(6,055)	(8,965)
As at 31 December 2014	**31,332**	**9,731**	**13,835**	**24,152**	**17,314**	**65,032**	**96,364**
Accumulated amortisation:							
As at 1 January 2014	-	-	(3,514)	(5,854)	(4,428)	(13,796)	(13,796)
Charge for the year	-	-	(1,515)	(2,482)	(1,815)	(5,812)	(5,812)
Disposals	-	-	98	-	-	98	98
Impairment	-	-	(188)	-	-	(188)	(188)
Exchange adjustment	-	-	469	635	463	1,567	1,567
As at 31 December 2014	**-**	**-**	**(4,650)**	**(7,701)**	**(5,780)**	**(18,131)**	**(18,131)**
Net carrying amount:							
As at 31 December 2014	**31,332**	**9,731**	**9,185**	**16,451**	**11,534**	**46,901**	**78,233**

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 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

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 7.50% to 7.75% (2013: 8.25% to 8.50%) applied to cash flow projections over a five year 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	
		2014	2013		2014	2013
					KD '000	KD '000
Union Securities Brokerage Company K.S.C. (Closed)*	Kuwait	-	20.00	Brokerage Company	-	4,867
Aqar Real Estate Investments Company K.S.C.P*	Kuwait	-	20.02	Real estate activities	-	5,309
Rico GmbH	Germany	**23.73**	23.73	Manufacturing	**2,446**	2,587
					2,446	12,763

*Derecognised under a debt settlement agreement during the year (Note 8).

The following summarised financial information of the Group's investment in associates has been disclosed at aggregate level.

	2014 KD '000	2013 KD '000
Non-current assets	**8,273**	23,583
Current assets	**5,808**	22,057
Non-current liabilities	**(1,264)**	(8,438)
Current liabilities	**(2,509)**	(1,638)
Equity	**10,308**	35,564
Proportion of the Group's ownership	**2,446**	8,976
Carrying amount of the investment	**2,446**	12,763

The carrying amount of the investment in associates includes goodwill of KD Nil (2013: KD 3,787 thousand).

	2014	2013
	KD '000	KD '000
Revenues	**13,001**	34,142
Cost of sales	**(5,113)**	(11,175)
Other income	**115**	283
General and administrative expenses	**(6,014)**	(15,531)
Finance costs	**(54)**	(190)
Profit for the year before tax	**1,935**	7,529
Income tax expense	**(456)**	(721)
Profit for the year	**1,479**	6,808
Group's share of profit for the year	**394**	1,440

The associates have no contingent liabilities or capital commitments as at 31 December 2014 (2013: KD Nil).

14 FINANCIAL ASSETS AVAILABLE FOR SALE

	2014	2013
	KD '000	KD '000
Quoted financial assets	**-**	2,936
Unquoted financial assets	**13,623**	15,729
	13,623	18,665

Unquoted financial assets include investments in private equity funds amounting to KD 10,902 thousand (2013: KD 9,734 thousand) which are carried at net asset values as reported by the investment managers. Due to the nature of these financial assets, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

At 31 December 2014, certain unquoted financial assets available for sale amounting to KD 2,675 thousand (2013: KD 5,951 thousand) are carried at cost due to the unavailability of reliable measures of their fair values.

Management has performed a review of financial assets to assess whether impairment has occurred in the value of these financial assets. Based on specific information, management has recorded an impairment loss of KD 85 thousand (2013: KD 1,528 thousand) in the consolidated income statement for the year in respect of financial assets available for sale. Based on the latest available financial information, management is of the view that no further impairment is required as at 31 December 2014 in respect of these financial assets available for sale.

During the year, the Group earned dividend income of KD 316 thousand (2013: KD 1,204 thousand) on its financial assets available for sale.

Fair value hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in Note 30.

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2014	2013
	KD '000	KD '000
Non-current receivables		
Trade receivable	**1,503**	1,669
Current receivables and prepayments		
Trade receivable	**12,241**	13,778
Advances and prepayments	**286**	39
Accrued income	**180**	262
Value Added Tax receivables	**917**	1,057
Other receivables	**1,410**	2,075
	15,034	17,211
	16,537	18,880

Non-current trade receivables are discounted using an average interest rate of 6.17% (2013: 3.17%). The carrying amount therefore corresponds to the fair value.

As at 31 December 2014, trade receivables at nominal value of KD 1,445 thousand (2013: KD 1,729 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*	***2014 Total KD '000***	*2013 Total KD '000*
As at 1 January	1,030	699	**1,729**	1,426
Charge for the year	373	46	**419**	614
Written off during the year	(392)	(207)	**(599)**	(385)
Exchange adjustment	(80)	(24)	**(104)**	74
As at 31 December	931	514	**1,445**	1,729

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*
2014	**9,818**	**1,219**	**1,142**	**1,565**	**13,744**
2013	12,192	1,602	1,091	562	15,447

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.

	2014	*2013*
	KD '000	*KD '000*
Deferred tax assets	**8,822**	2,887
Offset with deferred tax liabilities	**(5,006)**	-
	3,816	2,887
Deferred tax liabilities	**6,188**	799
Offset with deferred tax assets	**(5,006)**	-
	1,182	799
Net deferred tax assets	**2,634**	2,088

The movement in net deferred tax assets is as follows:

	2014	*2013*
	KD '000	*KD '000*
As at 1 January	**2,088**	2,227
Exchange adjustment	**943**	(51)
Tax expense for the year (Note 9)	**(397)**	(88)
As at 31 December	**2,634**	2,088

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014	2013
	KD '000	KD '000
Held for trading:		
Local securities – quoted	**57**	16,070
Designated:		
Local and foreign securities – quoted	**2**	21,938
Foreign structured notes -quoted	**372**	2,862
Foreign unquoted mutual funds	**2**	320
	376	25,120
	433	41,190

During the year, the Group earned dividend of KD 1 thousand (2013: KD 1,260 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 30.

18 INVENTORIES

	2014	2013
	KD '000	KD '000
Raw materials, consumables and supplies	**11,033**	11,582
Work in progress	**6,898**	6,604
Finished goods	**8,605**	9,318
	26,536	27,504

The amount of write-down of inventories recognised as an expense during the year is KD 51 thousand (2013: KD 558 thousand) which is recognised in cost of inventories.

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:

	2014	2013
	KD '000	KD '000
Cash and bank balances	**490**	628
Money at call and short notice	**26,523**	35,070
Less: bank overdrafts	**(78)**	(507)
Cash and cash equivalents for the purpose of consolidated statement of cash flows	**26,935**	35,191

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 0.70 % per annum (2013: 0.65% 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 (2013: 625,293,152 shares) of 100 fils per share (2013: 100 fils per share), which are fully paid up in cash.

Statutory reserve

In accordance with the Company Law No 25 of 2012 and 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 to the statutory reserve, since previously incurred losses have not been fully recovered.

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 to the voluntary reserve, since previously incurred losses have not been fully recovered.

Voluntary reserve is available to be distributed to shareholders at the discretion of the Annual general meeting in ways that may be deemed beneficial to the bank, except for the amount equivalent to the cost of purchase of the treasury shares.

Other reserve

	Changes in ownership without loss of control KD '000	Re-measurement of defined benefit plans KD '000	***2014 KD '000***	2013 KD '000
As at 1 January	2,579	-	**2,579**	2,579
Other comprehensive loss for the year	-	(1,176)	**(1,176)**	-
Total comprehensive loss for the year	-	(1,176)	**(1,176)**	-
As at 31 December	2,579	(1,176)	**1,403**	2,579

Treasury shares

	2014	2013
Number of shares	**48,570,086**	61,075,268
Percentage of issued shares	**7.77%**	9.77%
Market value (KD '000)	**2,768**	3,970

An amount equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from voluntary reserve throughout the holding period of treasury shares.

During the year, the Parent Company has transferred treasury shares to lenders as part of debt settlement (Note 8).

Dividend

The Board of Directors has proposed not to distribute cash dividend nor bonus shares for the year ended 31 December 2014 (2013: Nil). This is subject to being approved by the shareholders' in the annual general 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***	
		2014	*2013*
KGH	Kuwait	**46.87%**	46.87%
CIF	Kuwait	**-**	66.80%

During the year, the Parent Company has derecognised its investment in CIF, pursuant to a debt settlement (Note 8).

	2014	*2013*
	KD 000's	*KD 000's*
Accumulated balances of material non-controlling interests:		
KGH	**45,180**	51,176
CIF	**-**	30,816
(Loss) profit allocated to material non-controlling interests:		
KGH	**(865)**	(2,580)
CIF	**-**	2,869

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	
	2014	2013	**2014**	2013
	KD' 000	KD' 000	**KD' 000**	KD' 000
Revenues	**129,950**	122,832	**-**	4,892
Cost of raw materials	**(52,078)**	(48,365)	**-**	-
General and administrative expenses	**(67,623)**	(68,181)	**-**	(597)
Finance costs	**(1,435)**	(1,545)	**-**	-
Depreciation and amortisation	**(8,695)**	(8,765)	**-**	-
Foreign exchange gain (loss)	**454**	(719)	**-**	-
Profit (loss) before tax	**573**	(4,743)	**-**	4,295
Taxation	**(2,421)**	(762)	**-**	-
(Loss) profit for the year	**(1,848)**	(5,505)	**-**	4,295
Attributable to non-controlling interests	**(865)**	(2,580)	**-**	2,869

Summarised statement of financial position

	KGH		CIF	
	2014	2013	**2014**	2013
	KD' 000	KD' 000	**KD' 000**	KD' 000
Property, plant and equipment	**23,713**	28,327	**-**	-
Intangible assets	**72,195**	82,876	**-**	-
Deferred tax assets	**3,816**	2,887	**-**	-
Accounts receivable and prepayments	**15,715**	18,045	**-**	218
Financial assets at fair value through profit and loss	**-**	-	**-**	38,913
Inventories	**26,536**	27,504	**-**	-
Money at call and short notice	**26,162**	24,469	**-**	7,258
Cash and bank balances	**41**	43	**-**	-
End of service benefits	**(21,201)**	(19,216)	**-**	-
Borrowings	**(4,117)**	(4,719)	**-**	-
Deferred tax liabilities	**(1,182)**	(799)	**-**	-
Accounts payable	**(24,251)**	(28,184)	**-**	(258)
Amount due to related parties	**(12,181)**	(13,571)	**-**	-
Other accruals	**(8,854)**	(8,475)	**-**	-
Total equity	**96,392**	109,187	**-**	46,131
Attributable to non-controlling interests	**45,180**	51,176	**-**	30,816

21 MATERIAL PARTLY-OWNED SUBSIDIARIES (Continued)

Summarised cash flow information :

	KGH		CIF	
	2014	*2013*	***2014***	*2013*
	KD' 000	KD' 000	***KD' 000***	KD' 000
Operating activities	**12,543**	8,062	**-**	461
Investing activities	**(2,035)**	(2,955)	**-**	-
Financing activities	**(1,208)**	(1,843)	**-**	(3)
Net increase in cash and cash equivalents	**9,300**	3,264	**-**	458

22 BORROWINGS

	2014	*2013*
	KD '000	*KD '000*
Non-current borrowings		
Secured bank loans	**191**	3,517
Unsecured bank loans	**71**	2,259
	262	5,776
Current borrowings		
Secured bank loans	**3,634**	809
Unsecured bank loans	**143**	54,309
	3,777	55,118
	4,039	60,894

During the year, the Parent Company has entered into two debt settlement agreements with certain local financial institutions ("lenders"). The Group had liabilities of KD 60,356 thousand towards the lenders which were settled during the year (Note 8).
Inventories with a carrying value of KD 3,443 thousand (2013: KD 4,225 thousand) are mortgaged as security against bank loan amounting to KD 3,443 thousand (2013: KD 4,225 thousand).

23 END OF SERVICE BENEFITS

	2014	*2013*
	KD '000	*KD '000*
Movement in the provision recognised in the consolidated statement of financial position is as follows:		
As at 1 January	**20,436**	19,982
Provided during the year	**536**	496
Re- measurement gains on defined benefit plans	**4,059**	-
Employees' end of service benefits paid	**(851)**	(993)
Exchange adjustment	**(1,680)**	951
As at 31 December	**22,500**	20,436

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014

23 END OF SERVICE BENEFITS (Continued)

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:

	2014 KD '000	2013 KD '000
Present value of the defined benefit obligation	**24,633**	21,859
Less: Fair value of the plan assets	**(3,432)**	(2,649)
Carrying amount of unfunded obligations	**21,201**	19,210
Unrealised actuarial gains	**-**	6
	21,201	19,216

24 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2014 KD '000	2013 KD '000
Trade payables	**4,423**	6,156
Advances received from customers	**8,396**	9,185
Promissory notes	**7,701**	3,319
Dividend payable	**216**	209
Commission payable	**1,142**	1,148
Tax payable	**1,842**	2,831
Other liabilities	**2,690**	7,212
	26,410	30,060

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 6,373 thousand (2013: KD 7,238 thousand) includes promissory notes amounting to KD 2,959 thousand (2013: KD 3,319 thousand) and other liabilities amounting to KD 3,414 thousand (2013: KD 3,919 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.

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

	Others KD '000	2014 KD '000	2013 KD '000
Consolidated statement of financial position			
Amount due to related parties - non-current liabilities	7,937	**7,937**	8,845
Amount due to a related party - current liabilities	1,750	**1,750**	-
Consolidated income statement			
Management fees	146	**146**	28
Finance cost	112	**112**	112

The non-current outstanding balances at the year-end are unsecured and carry interest at 1.21% to 3.77% per annum (2013: 1.21% to 3.77% per annum) and are repayable as per the terms of the contract.

The current outstanding balance as at the year-end does not carry any interest and is repayable on demand and is collateralised against certain financial assets available for sale and property with a carrying amount of KD 3,431 thousand (2013: KD Nil).

Key management compensation

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

	2014	*2013*
	KD '000	*KD '000*
Salaries and short-term benefits	**853**	846
Employees' end of service benefits	**236**	301
	1,089	1,147

26 OTHER ACCRUALS

	2014	*2013*
	KD '000	*KD '000*
Provision for legal claim*	**8,544**	-
Other personnel accruals**	**868**	921
Warranties	**1,425**	1,666
Machine installation outstanding	**842**	654
Accrued expenses	**3,758**	5,755
Other accruals***	**2,247**	1,846
	17,684	10,842

* During the year ended 31 December 2011, a legal case was filed by a non-related party (the "plaintiff") against the Parent Company seeking to revoke a Sale and Purchase Agreement of certain financial assets available for sale dated 23 June 2008 and its related appendixes, and, to obligate the Parent Company to refund the received consideration of KD 8,544 thousand. On 10 June 2014, the first instance court decided to reject the principal claim, and therefore, an appeal was filed by the plaintiff before the supreme court against this ruling.

On 26 November 2014, the supreme court's decision came in favor of the plaintiff. Based on which, the supreme court resolved to revoke the Sale and Purchase Agreement and obligate the Parent Company to refund the consideration amount of KD 8,544 thousand to the plaintiff. The Parent Company has filed an appeal against the ruling before the cassation court.

** The other personnel accruals include accrual for the early retirement scheme amounting to KD 864 thousand (2013: KD 619 thousand) that are classified as non-current.

*** Other accruals include tax accruals amounting to KD 1,272 thousand (2013: KD 480 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 294 thousand (2013: KD 246 thousand).

28 COMMITMENTS AND CONTINGENT LIABILITIES

At the reporting date, the Group had capital commitments of KD 1,191 thousand (2013: KD 1,506 thousand) towards purchase of investments. Further, the Group had commitments on machines sold to external parties aggregating to KD 682 thousand (2013: KD 623 thousand) extending beyond one accounting period. The amount of capital commitments may be reduced by participation of other investors.

	2014	*2013*
	KD '000	*KD '000*
Operating lease rental commitments		
Future minimum lease payments:		
Within one year	**796**	717
Within one to five years	**575**	1,003
More than five year	**-**	87
	1,371	1,807

Contingent liabilities:

As at 31 December 2014, the Group had contingent liabilities in respect of warranty agreements amounting to KD 422 thousand (2013: KD 164 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.

29 SEGMENT INFORMATION (Continued)

Year ended 31 December 2014	*Manufacturing of wood processing equipment* KD '000	*Investments* KD '000	*Unallocated* KD '000	*Consolidated* KD '000
Revenue				
Total revenue	124,217	5,642	1,213	**131,072**
Result				
Segment profit from continuing operations	72,373	662	979	**74,014**
Interest income	144	37	68	**249**
Other income	4,230	6	91	**4,327**
Gain on extinguishment of a financial liabilities (Note 8)	-	19,832	-	**19,832**
Impairment loss on accounts receivable (Note 15)	(419)	-	-	**(419)**
Impairment loss on financial assets available for sale (Note 14)	-	(85)	-	**(85)**
General and administrative expenses	(65,995)	(9,934)	(1,212)	**(77,141)**
Depreciation and amortisation (Note 11 & 12)	(8,432)	(12)	(82)	**(8,526)**
Impairment loss on intangible assets (Note 12)	(188)	-	-	**(188)**
Finance costs	(1,362)	(1,632)	(17)	**(3,011)**
Foreign exchange gain (loss)	488	(57)	(34)	**397**
Profit before taxation from continuing operations				**9,449**
Taxation				**(2,591)**
Results from continuing operations				**6,858**
Results from discontinued operations (Note 8)	-	4,980	-	**4,980**
Profit for the year				**11,838**
Total assets	134,538	24,977	34,059	**193,574**
Total liabilities	66,637	14,033	910	**81,580**
Other segmental information:				
Goodwill (Note 12)	31,332			**31,332**
Other intangible assets – indefinite life (Note 12)	9,731			**9,731**
Other intangible assets – definite life (Note 12)	37,170			**37,170**
Investment in associates (Note13)		2,446		**2,446**
Share of results of associates		394		**394**
Loss on sale of associate (Note 8)		(1,317)		**(1,317)**

29 SEGMENT INFORMATION (Continued)

Year ended 31 December 2013	*Manufacturing of wood processing equipment* *KD '000*	*Investments* *KD '000*	*Unallocated* *KD '000*	*Consolidated* *KD '000*
Revenue				
Total revenue	117,370	6,927	1,611	125,908
Result				
Segment profit	69,599	2,107	1,017	72,423
Interest income	141	97	1	239
Other income	3,516	46	145	3,707
Gain on extinguishment of a financial liability (Note 8)	-	3,354	-	3,354
Impairment loss on accounts receivable (Note 15)	(608)	(6)	-	(614)
Impairment loss on financial assets available for sale (Note 14)	-	(1,528)	-	(1,528)
General and administrative expenses	(65,808)	(1,763)	(1,631)	(69,202)
Depreciation and amortisation (Note 11 & 12)	(8,716)	(24)	(59)	(8,799)
Finance costs	(1,469)	(2,913)	(20)	(4,402)
Foreign exchange loss	(715)	(78)	-	(793)
Loss before taxation from continuing operations				(5,315)
Taxation				(762)
Results from continuing operations				(6,077)
Results from discontinued operations (Note 8)	-	4,819	-	4,819
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:				
Goodwill (Note 12)	34,242	-	-	34,242
Other intangible assets – indefinite life (Note12)	10,788	-	-	10,788
Other intangible assets – definite life (Note 12)	43,480	-	965	44,445
Investment in associates (Note13)	-	12,763	-	12,763
Share of result of associates (Note 13)	-	1,440	-	1,440
Loss on sale of associate (Note 8)	-	(84)	-	(84)

29 SEGMENT INFORMATION (Continued)

Geographic information

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

Total revenue	*2014* *KD '000*	2013 KD '000
Kuwait and Middle East	**1,612**	1,891
Europe	**125,430**	118,981
	127,042	120,872

	2014 *KD '000*	2013 KD '000
Non-current assets		
Kuwait and Middle East	**17,138**	39,579
Europe	**107,274**	115,292
United States of America (USA)	**146**	141
	124,558	155,012

30 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 2014	**Total** *KD*	**Quoted prices in active markets (Level 1)** *KD*	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)** *KD*
Assets measured at fair value				
Financial assets available for sale	**10,948**	-	-	10,948
Financial assets at fair value through income statement	**433**	431	2	-
31 December 2013				
Assets measured at fair value				
Financial assets available for sale				
- Quoted financial assets	2,936	2,936	-	-
- Unquoted financial assets	9,778	-	-	9,778
Financial assets at fair value through income statement	41,190	40,870	320	-

30 FAIR VALUE MEASUREMENT (Continued)

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 2014, there were no transfers between Level 1 and Level 2 financial instruments, and no transfers into and out of Level 3 financial instruments.

Movement in the Level 3 financial instruments is as follows.

	As at 1 January	*Gain recorded in income statement for the year*	*(Loss) /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*
2014						
Investment property	**141**	**-**	**6**	**-**	**-**	**147**
Financial assets available for sale - unquoted investments	**9,778**	**905**	**(596)**	**946**	**(85)**	**10,948**
2013						
Investment property	141	-	-	-	-	141
Financial assets available for sale – unquoted investments	8,518	462	1,006	(146)	(62)	9,778

31 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 minimising 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.

31.1 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.

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 receivable.

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.

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

	2014	*2013*
	KD '000	*KD '000*
Bank balances	**458**	536
Money at call and short notice	**26,523**	35,070
Accounts receivable	**16,251**	18,841
Gross maximum credit exposure	**43,232**	54,447

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 2014	***Kuwait and other Middle East countries***	***Europe***	***USA***	***Total***
	KD '000	***KD '000***	***KD '000***	***KD '000***
Bank balances	458	-	-	**458**
Money at call and short notice	6,376	20,136	11	**26,523**
Accounts receivable	779	15,441	31	**16,251**
	7,613	**35,577**	**42**	**43,232**

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	714	18,013	114	18,841
	17,866	36,456	125	54,447

31 December 2014	***Trading and manufacturing***	***Banks and financial institutions***	***Others***	***Total***
	KD '000	***KD '000***	***KD '000***	***KD '000***
Bank balances	-	434	24	**458**
Money at call and short notice	19,687	6,706	130	**26,523**
Accounts receivable	15,268	589	394	**16,251**
	34,955	**7,729**	**548**	**43,232**

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

Collateral and other credit enhancements

No collaterals are obtained in respect of trade accounts receivable.

31.2 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.

31 December 2014	***Within 3 months KD '000***	***3 to 12 months KD '000***	***Over 1 year KD '000***	***Total KD '000***
Bank overdrafts	78	-	-	**78**
Accounts payable and other liabilities	14,402	5,635	6,373	**26,410**
Borrowings	659	3,335	282	**4,276**
Deferred tax liabilities	-	-	1,182	**1,182**
Amounts due to related parties	-	1,750	8,095	**9,845**
Other accruals	7,944	8,876	864	**17,684**
	23,083	**19,596**	**16,796**	**59,475**
Capital commitments	**76**	**403**	**30**	**509**

31 December 2013	*Within 3 months KD '000*	*3 to 12 months KD '000*	*Over 1 year KD '000*	*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	-	-	9,022	9,022
Other accruals	2,071	8,152	619	10,842
	47,128	42,511	23,933	113,572
Capital commitments	176	303	404	883

31.3 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.

31.3.1 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:

	2014	*2013*
	KD '000	*KD '000*
Euro	**231,861**	179,221
US Dollar	**3,494**	6,292

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.

2014

Currency	Change in currency rate in % against KD	Effect on results *KD '000*	Effect on other comprehensive income *KD '000*
Euro	**5%**	**(16)**	**(11,577)**
US Dollar	**5%**	**(32)**	**(143)**
2013			
Euro	5%	(11)	(8,950)
US Dollar	5%	(179)	(135)

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.

31.3.2 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*	
		2014	*2013*
		KD '000	*KD '000*
Euro	+45	**(17)**	(21)
Kuwaiti Dinar	+50	**(30)**	(276)
US Dollar	+60	**-**	5

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

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.

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 2014 due to a reasonable possible change in the equity indices, with all other variables held as constant is as follows:

		2014		2013	
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%	**(2)**	**-**	(87)	(235)
Other GCC Indices	5%	**-**	**-**	(13)	-

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

31.4 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.

31.5 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.

32 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 2014 and 31 December 2013 except during the year ended 31 December 2014, the management of the Parent Company has settled its financial liabilities amounting to KD 60,356 thousand by transferring its interest in certain assets. This has significantly reduced the Group leverage that has impacted the debt to equity ratio as noted in table below.

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.

The capital structure of the Group consists of the following:

	2014	2013
	KD '000	KD '000
Borrowings	**4,039**	60,894
Cash and cash equivalents	**(26,935)**	(35,191)
Net debt	**(22,896)**	25,703
Equity attributable to the shareholders of the Parent Company	**63,012**	54,416
Cumulative changes in fair value	**(2,679)**	(2,051)
Net capital attributable to the shareholders of the Parent Company	**60,333**	52,365
Net capital and net debt	**37,437**	78,068
Gearing ratio	**-**	33%