

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)**

31 MARCH 2016



Building a better
working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Coast Investment & Development Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively "the Group") as at 31 March 2016, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard, IAS 34: Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, the executive regulations of Law No. 25 of 2012, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the three months period ended 31 March 2016 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 review, to the best of our knowledge and belief, 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 organisation of banking business, and its related regulations and Law No.7 of 2010 concerning the Capital Markets Authority and its related regulations during the three months period ended 31 March 2016 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
OF DR. SAUD HAMAD AL-HUMAIDI & PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

16 May 2016
Kuwait

Coast Investment & Development Company K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 31 March 2016

	Notes	Three months ended 31 March	
		2016 KD '000	2015 KD '000
Continuing operations			
Net investment income		160	210
Management fees		109	151
Other income		12	6
Share of results of associates		(519)	(55)
Impairment loss on financial assets available for sale		-	(6)
Impairment loss on accounts receivable		(4)	-
General and administrative expenses		(307)	(322)
Depreciation		(2)	(4)
Finance costs		(8)	(1)
Foreign exchange gain (loss)		134	(15)
Loss for the period from continuing operations		(425)	(36)
Loss for the period from discontinued operations	10	-	(2,938)
Loss for the period		(425)	(2,974)
Attributable to:			
Shareholders of the Parent Company		(425)	(1,225)
Non-controlling interests		-	(1,749)
		(425)	(2,974)
Basic and diluted loss per share attributable to shareholders of the Parent Company	3	(1) fils	(2) fils
Basic and diluted loss per share from continuing operations attributable to shareholders of the Parent Company		(1) fils	(0) fils

The attached notes 1 to 10 form part of the interim condensed consolidated financial information.

Coast Investment & Development Company K.S.C.P. and Subsidiaries
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
 INCOME (UNAUDITED)**

For the period ended 31 March 2016


	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2016</i>	<i>2015</i>
	<i>KD '000</i>	<i>KD '000</i>
Loss for the period	(425)	(2,974)
Other comprehensive gain (loss):		
<i>Items that are or may be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>		
Net change in fair value of financial assets available for sale	524	(540)
Share of other comprehensive income of associates	80	-
Exchange differences on translation of foreign operations	499	(8,023)
Net other comprehensive gain (loss) to be reclassified to statement of income in subsequent periods	1,103	(8,563)
<i>Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>		
Re-measurement gain on defined benefit plans	-	(2,330)
Deferred tax loss	-	653
Net other comprehensive loss not to be reclassified to statement of income in subsequent periods	-	(1,677)
Other comprehensive gain (loss) for the period	1,103	(10,240)
Total comprehensive gain (loss) for the period	678	(13,214)
Attributable to:		
Shareholders of the Parent Company	678	(5,131)
Non-controlling interests	-	(8,083)
	678	(13,214)


The attached notes 1 to 10 form part of the interim condensed consolidated financial information.

Coast Investment & Development Company K.S.C.P. and Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

As at 31 March 2016

	Notes	31 March 2016 KD '000	(Audited) 31 December 2015 KD '000	31 March 2015 KD '000
ASSETS				
Non-current assets				
Property, plant and equipment		1,068	1,070	22,672
Investment property		151	152	150
Intangible assets		-	-	70,338
Investment in associates	4	33,465	34,965	2,173
Financial assets available for sale		15,118	14,657	12,854
Deferred tax assets		-	-	3,980
Accounts receivable and other assets		3,872	3,750	1,368
		<u>53,674</u>	<u>54,594</u>	<u>113,535</u>
Current assets				
Financial assets at fair value through profit or loss		2	2	378
Accounts receivable and other assets		465	636	13,078
Inventories		-	-	29,780
Money at call and short notice		1,862	1,677	23,592
Cash and bank balances		435	389	578
		<u>2,764</u>	<u>2,704</u>	<u>67,406</u>
TOTAL ASSETS		<u><u>56,438</u></u>	<u><u>57,298</u></u>	<u><u>180,941</u></u>
EQUITY AND LIABILITIES				
EQUITY				
Share capital		62,529	62,529	62,529
Statutory reserve		11,647	11,647	11,647
Voluntary reserve		1,991	1,991	1,991
Treasury shares	5	(5,215)	(5,215)	(5,683)
Treasury shares reserve		236	236	493
Other reserve		-	-	(447)
Foreign currency translation reserve		565	(14)	(1,373)
Cumulative changes in fair values		2,751	2,227	2,139
Accumulated losses		(21,354)	(20,929)	(13,415)
Equity attributable to shareholders of the Parent Company		<u>53,150</u>	<u>52,472</u>	<u>57,881</u>
Non-controlling interests		32	32	40,899
TOTAL EQUITY		<u><u>53,182</u></u>	<u><u>52,504</u></u>	<u><u>98,780</u></u>
LIABILITIES				
Non-current liabilities				
End of service benefits		1,245	1,224	22,985
Deferred tax liabilities		-	-	1,145
Borrowings		-	-	211
Accounts payable and other liabilities		-	-	5,776
Amount due to related parties	6	-	-	7,245
Other accruals		-	-	806
		<u>1,245</u>	<u>1,224</u>	<u>38,168</u>
Current liabilities				
Borrowings		-	-	3,507
Accounts payable and other liabilities		1,833	1,900	21,699
Amount due to a related party	6	-	1,500	1,750
Other accruals		171	170	16,799
Bank overdrafts		7	-	238
		<u>2,011</u>	<u>3,570</u>	<u>43,993</u>
TOTAL LIABILITIES		<u><u>3,256</u></u>	<u><u>4,794</u></u>	<u><u>82,161</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>56,438</u></u>	<u><u>57,298</u></u>	<u><u>180,941</u></u>


Sulaiman K. Al-Sahli
Chairman


Khaled A. Al-Usaimi
Vice Chairman & CEO

The attached notes 1 to 10 form part of the interim condensed consolidated financial information.

Coast Investment & Development Company K.S.C.P. and Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the period ended 31 March 2016

	Attributable to shareholders of the Parent Company							Non-controlling interests	Total		
	Share capital	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Other reserve	Foreign currency translation reserve				
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000		
As at 1 January 2016 (Audited)	62,529	11,647	1,991	(5,215)	236	-	(14)	2,227	52,472	32	52,504
Loss for the period	-	-	-	-	-	-	-	-	(425)	-	(425)
Other comprehensive income for the period	-	-	-	-	-	-	579	524	-	-	1,103
Total comprehensive income (loss) for the period	-	-	-	-	-	-	579	524	(425)	-	678
As at 31 March 2016	62,529	11,647	1,991	(5,215)	236	-	565	2,751	(21,354)	32	53,182
As at 1 January 2015 (Audited)	62,529	11,647	1,991	(5,683)	493	1,403	1,322	2,679	(13,369)	48,982	111,994
Loss for the period	-	-	-	-	-	-	-	-	(1,225)	(1,749)	(2,974)
Other comprehensive loss for the period	-	-	-	-	-	(671)	(2,695)	(540)	-	(6,334)	(10,240)
Total comprehensive loss for the period	-	-	-	-	-	(671)	(2,695)	(540)	(1,225)	(8,083)	(13,214)
Reclassification of remeasurement on defined benefit plan	-	-	-	-	-	(1,179)	-	-	1,179	-	-
As at 31 March 2015	62,529	11,647	1,991	(5,683)	493	(447)	(1,373)	2,139	(13,415)	40,899	98,780

The attached notes 1 to 10 form part of the interim condensed consolidated financial information.

Coast Investment & Development Company K.S.C.P. and Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended 31 March 2016

	<i>Three months ended</i> 31 March	
	<i>2016</i> KD '000	<i>2015</i> KD '000
OPERATING ACTIVITIES		
Loss for the period from continuing operations	(425)	(36)
Loss for the period from discontinued operations	-	(2,938)
	<hr/>	<hr/>
Adjustments for:		
Unrealised loss on financial assets at fair value through statement of income	-	9
Net gain on sale of financial assets available for sale	-	(219)
Interest income	(11)	(69)
Dividend income	(1)	(1)
Impairment loss on accounts receivable	4	59
Impairment loss on financial assets available for sale	-	6
Depreciation and amortisation	2	1,832
Finance costs	8	385
Share of results of associates	519	55
End of service benefits	31	2,661
Taxation	-	446
	<hr/>	<hr/>
	127	2,190
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	-	46
Accounts receivable and other assets	57	2,102
Inventories	-	(3,244)
Accounts payable and other liabilities	(75)	679
Other accruals	(1)	(79)
End of service benefits paid	(10)	(291)
	<hr/>	<hr/>
Net cash from operating activities	98	1,403
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(342)
Proceeds on sale of property, plant and equipment	-	63
Purchase of intangible assets	-	(370)
Proceeds on sale of intangible assets	-	9
Proceeds on sale of financial assets available for sale	63	442
Proceeds on capital redemption of an associate	1,559	-
	<hr/>	<hr/>
Net cash from (used in) investing activities	1,622	(198)
	<hr/>	<hr/>
FINANCING ACTIVITIES		
Repayments of borrowings	-	(5)
Repayment of amount due to related party	(1,500)	-
	<hr/>	<hr/>
Net cash used in financing activities	(1,500)	(5)
	<hr/>	<hr/>
Net foreign exchange difference	4	(4,203)
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	224	(3,003)
Cash and cash equivalents at the beginning of the period	2,066	26,935
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,290	23,932
	<hr/> <hr/>	<hr/> <hr/>

The attached notes 1 to 10 form part of the interim condensed consolidated financial information.

Coast Investment & Development Company K.S.C.P. and Subsidiaries
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 31 March 2016

1 INCORPORATION AND ACTIVITIES

Coast Investment & Development Company K.S.C.P. (the "Parent Company") is a public shareholding company incorporated in Kuwait on 29 July 1975. The Parent Company and its subsidiaries (collectively, the "Group") are 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 principal activities of the Group are explained in Note 7.

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.

The new Companies Law No.1 of 2016 was issued on 24 January 2016 and was published in Official Gazette on 1 February 2016 cancelled the Companies Law No.25 of 2012, and its amendments. According to Article No.5, the new law will be effective retrospectively from 26 November 2012, and the executive regulation of Law No. 25 of 2012 will continue until a new set of executive regulations is issued.

The interim condensed consolidated financial information of the Group for the period ended 31 March 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 16 May 2016.

The Annual General Assembly for the year ended 31 December 2015 has not been held until the date of approval of this interim condensed consolidated financial information. Accordingly, the consolidated financial statements for the year ended 31 December 2015 have not yet been approved. The interim condensed consolidated financial information for the three months period ended 31 March 2016 do not include any adjustments, which might have been required, had the General Assembly not approved the consolidated financial statements for the year ended 31 December 2015.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group is prepared in accordance with International Accounting Standard (IAS 34) Interim Financial Reporting.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2015 except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 January 2016 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

The interim condensed consolidated financial information does not include all information and disclosures required in the annual consolidated financial statements prepared in accordance with IFRS, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. In addition, results for the three months ended 31 March 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

Coast Investment & Development Company K.S.C.P. and Subsidiaries
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)

As at 31 March 2016

2 BASIS OF PREPARATION (continued)

The interim condensed financial information is presented in Kuwaiti Dinars (KD) and all values are recorded to the nearest KD thousand except when otherwise indicated.

3 BASIC AND DILUTED LOSS PER SHARE

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

	<i>Three months ended 31 March</i>	
	<i>2016 KD '000</i>	<i>2015 KD '000</i>
Loss for the period attributable to shareholders of the Parent Company	(425)	(1,225)
	<i>Shares</i>	<i>Shares</i>
Weighted average number of outstanding shares	625,293,152	625,293,152
Less: weighted average number of treasury shares	(44,570,086)	(48,570,086)
Weighted average number of shares	580,723,066	576,723,066
Basic and diluted loss per share attributable to shareholders of the Parent Company	(1) fils	(2) fils

	<i>Three months ended 31 March</i>	
	<i>2016 KD '000</i>	<i>2015 KD '000</i>
Basic and diluted loss per share from continuing operations		
Loss for the period attributable to shareholders of the Parent Company	(425)	(1,225)
Less: loss for the period from discontinued operations attributable to shareholders of the Parent Company	-	(1,189)
Loss for the period attributable to shareholders of the Parent Company from continued operations	(425)	(36)
	<i>Shares</i>	<i>Shares</i>
Weighted average number of outstanding shares	625,293,152	625,293,152
Less: weighted average number of treasury shares	(44,570,086)	(48,570,086)
Weighted average number of shares	580,723,066	576,723,066
Basic and diluted loss per share attributable to shareholders of the Parent Company	(1) fils	(0) fils

As there are no outstanding dilutive instruments outstanding, basic and diluted loss per share are identical.

Coast Investment & Development Company K.S.C.P. and Subsidiaries
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)

As at 31 March 2016

4 INVESTMENT IN ASSOCIATES

Details of associates are set out below:

Name	Country of incorporation	Interest in equity %			Principal activity	Carrying value		
		31 December				31 December		
		31 March 2016	2015 (Audited)	31 March 2015		31 March 2016 KD '000	2015 (Audited) KD '000	31 March 2015 KD '000
Rico GmbH	Germany	23.73	23.73	23.73	Manufacturing	2,398	2,309	2,173
Kuwaiti German Holding Company K.S.C. (Closed) ("KGH")	Kuwait	23.41	23.41	-	Investing activities	16,582	18,191	-
Weinig International A.G. ("Weinig")	Germany	12.37	12.37	-	Manufacturing	14,485	14,465	-
						<u>33,465</u>	<u>34,965</u>	<u>2,173</u>

KGH has a direct ownership of 52% in Weinig.

5 TREASURY SHARES

	31 March 2016	(Audited) 31 December 2015	31 March 2015
Number of treasury shares	44,570,086	44,570,086	48,570,086
Percentage of capital	7.13%	7.13%	7.77%
Market value (KD '000)	1,560	1,404	2,477
Market value per share (fils)	32	47	57

An amount equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from voluntary reserve and a portion of the statutory reserve throughout the holding period of treasury shares. The treasury shares are not mortgaged.

Coast Investment & Development Company K.S.C.P. and Subsidiaries
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)**

As at 31 March 2016

6 RELATED PARTY TRANSACTIONS

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

The related party balances and transactions included in the interim condensed consolidated financial information are as follows:

			<i>(Audited)</i>		
	<i>Associates</i>	<i>Others</i>	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>KD '000</i>	<i>KD '000</i>	<i>2016</i>	<i>2015</i>	<i>2015</i>
			<i>KD '000</i>	<i>KD '000</i>	<i>KD '000</i>
<i>Interim condensed consolidated statement of financial position:</i>					
Promissory note - non-current assets	3,872	-	3,872	3,750	-
Amount due to related parties - non-current					
Liabilities	-	-	-	-	7,245
Amount due to a related party - current					
Liabilities	-	-	-	1,500	1,750

***Three months ended
31 March***

<i>2016</i>	<i>2015</i>
<i>KD '000</i>	<i>KD '000</i>

Included in the interim condensed consolidated statement of income:

Management fees	82	122
Interest income	10	-
Finance cost	6	-

Key management compensation:

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

	<i>Three months ended 31 March</i>	
	<i>2016</i>	<i>2015</i>
	<i>KD '000</i>	<i>KD '000</i>
Salaries and other short term benefits	91	91
Terminal benefits	5	10
	96	101
	96	101

Coast Investment & Development Company K.S.C.P. and Subsidiaries
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)

As at 31 March 2016

7 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 equipment's for wood processing and other related services. During the year ended 31 December 2015, this segment was discontinued (Note 10).

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 a gross profit or loss for wood processing and others segments and return on investment for investment segment

The following table present information relating to the revenue and loss before taxation of the Group's operating segments for the three months ended 31 March 2016 and 31 March 2015, respectively:

	<i>Manufacturing of wood processing equipment KD '000</i>	<i>Investments KD '000</i>	<i>Total KD '000</i>
Three months ended 31 March 2016			
Segment revenue from continuing operations	-	(249)	(249)
Segment results			
Results from continuing operations	-	(425)	(425)
Three months ended 31 March 2015			
Segment revenue from continuing operations	-	307	307
Segment results			
Results from continuing operations	-	(36)	(36)
Results from discontinued operations	(2,938)	-	(2,938)
	(2,938)	(36)	(2,974)

Coast Investment & Development Company K.S.C.P. and Subsidiaries
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)**

As at 31 March 2016

7 SEGMENT INFORMATION (continued)

The following table presents segment assets and liabilities of the Group's operating segments as at 31 March 2016, 31 December 2015 and 31 March 2015:

	<i>Manufacturing of wood processing equipment KD '000</i>	<i>Investments KD '000</i>	<i>Others KD '000</i>	<i>Total KD '000</i>
<i>As at 31 March 2016</i>				
Total assets	-	56,232	206	56,438
Total liabilities	-	3,253	3	3,256
<i>As at 31 December 2015 (Audited)</i>				
Total assets	-	57,067	231	57,298
Total liabilities	-	4,790	4	4,794
<i>As at 31 March 2015</i>				
Total assets	125,858	23,858	31,225	180,941
Total liabilities	71,170	10,191	800	82,161

8 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

At the reporting date, the Group had capital commitments of KD 922 thousand (31 December 2015: KD 940 thousand and 31 March 2015: KD 1,036 thousand) towards purchase of investments and KD Nil thousand towards machines sold to external parties (31 December 2015: Nil and 31 March 2015: KD 572 thousand).

Contingent liabilities

As at the reporting date, the Group had contingent liabilities in respect of warranty agreements amounting to KD Nil thousand (31 December 2015: Nil and 31 March 2015: KD 345 thousand) from which it is anticipated that no material liabilities will arise.

9 FAIR VALUES

Financial instruments comprise of financial assets and financial liabilities.

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 values of financial instruments, with the exception of certain financial assets available for sale carried at cost are not materially different from their carrying values.

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed 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 market prices in an active market (that are unadjusted) 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 that are recognised at fair value 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.

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9 FAIR VALUES (continued)

The Group held the following classes of financial instruments measured at fair value:

Financial assets measured at fair value	Total KD '000	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000
31 March 2016				
Financial assets available for sale	10,251	-	-	10,251
Financial assets carried at fair value through statement of income	2	1	1	-
	<u>2</u>	<u>1</u>	<u>1</u>	<u>-</u>
31 December 2015 (Audited)				
Financial assets available for sale	9,789	-	-	9,789
Financial assets carried at fair value through statement of income	2	1	1	-
	<u>2</u>	<u>1</u>	<u>1</u>	<u>-</u>
31 March 2015				
Financial assets available for sale	10,180	-	-	10,180
Financial assets carried at fair value through statement of income	378	378	-	-
	<u>378</u>	<u>378</u>	<u>-</u>	<u>-</u>

During the three months period ended 31 March 2016, there were no transfers between hierarchies.

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

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

	<i>At the beginning of the period/ year</i>	<i>Gain recorded in the statement of income</i>	<i>Gain (loss) recorded in other comprehensive income</i>	<i>Net purchases, transfer, sales and settlements</i>	<i>Impairment loss</i>	<i>At the end of the period/ year</i>
	<i>KD '000</i>	<i>KD '000</i>	<i>KD '000</i>	<i>KD '000</i>	<i>KD '000</i>	<i>KD '000</i>
31 March 2016						
Financial assets available for sale	9,789	-	534	(72)	-	10,251
31 December 2015 (Audited)						
Financial assets available for sale	10,948	-	(452)	(653)	(54)	9,789
31 March 2015						
Financial assets available for sale	10,948	219	(540)	(441)	(6)	10,180

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10 DISCONTINUED OPERATIONS

During the prior year, the Parent Company sold 29.7% of its holding in its former subsidiary company "KGH" to a related party through an auction on settlement of a legal case filed against the Parent Company. The Group's equity interest in KGH thereby decreased from 53.13% to 23.41% and consequently, the Group lost its ability to control KGH. The results from the discontinued operations for the period ended 31 March 2015 are presented below:

	<i>Three months ended 31 March 2015 KD</i>
Income	14,347
Expenses	(17,285)
Loss from discontinued operation	<u>(2,938)</u>
Attributable to:	
Shareholders of the Parent Company	(1,189)
Non-controlling interests	(1,749)
	<u>(2,938)</u>

There is no impact of the above transaction on the Group's interim condensed consolidated financial information for the period ended 31 March 2016. For further details about the transaction, please refer to the Group's annual consolidated financial statements for the year ended 31 December 2015.